

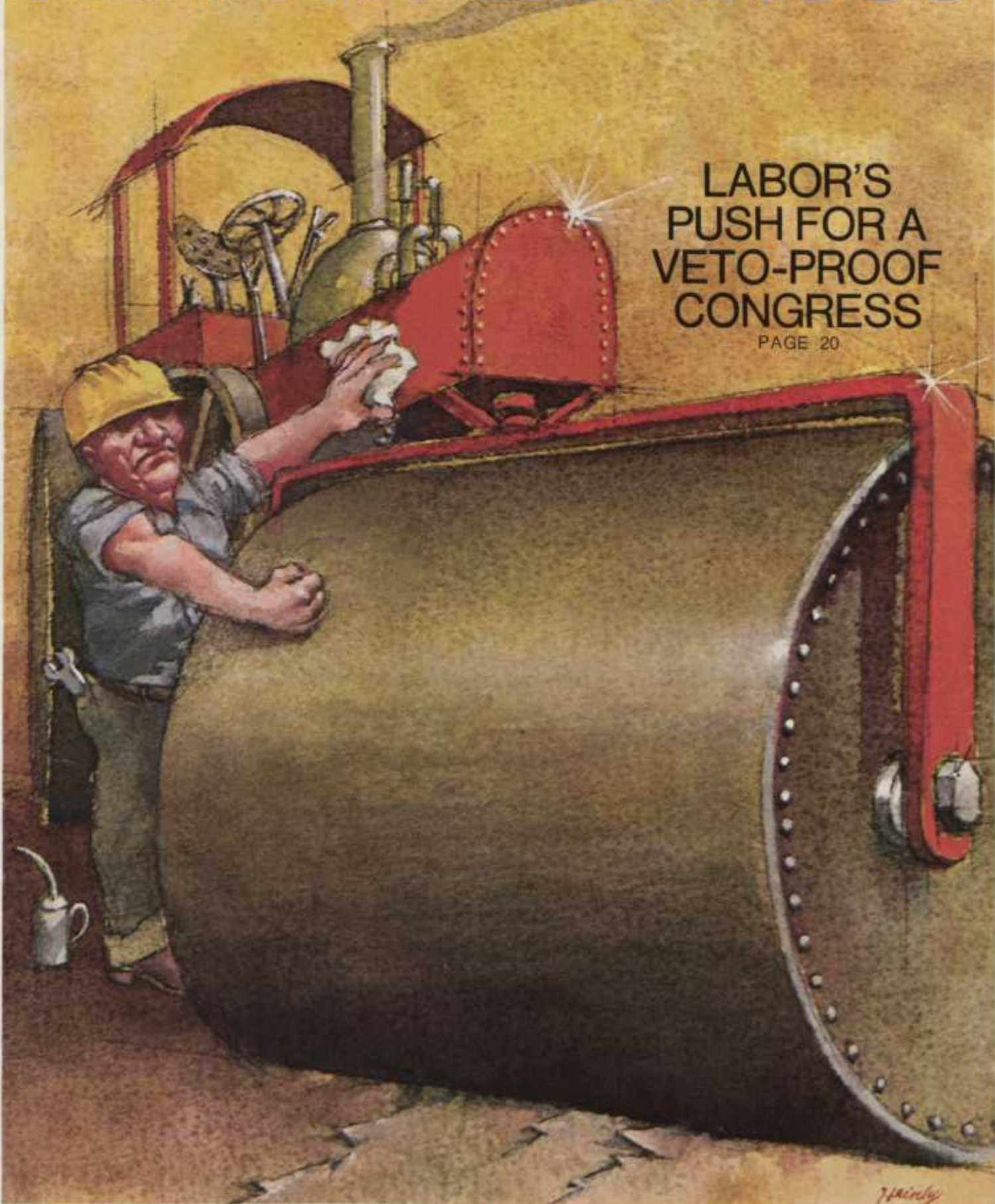
A USEFUL LOOK AHEAD FROM WASHINGTON

AUGUST 1974

Nation's Business

LABOR'S
PUSH FOR A
VETO-PROOF
CONGRESS

PAGE 20





NCR keeps getting elected for offices!

New NCR computer systems help state and local governments operate more efficiently. Other NCR systems produce profitable results in many different vocational areas. NCR knows from years of experience what is needed most in electronic business systems. Of course, you need more than a computer. That's why NCR provides you with data terminals, peripherals and computers to help you operate more effectively. You get the help of NCR representatives who are trained in your industry and devote their efforts exclusively to your needs. And over 18,000 field engineers provide worldwide service coverage for your NCR system. You're in good company with NCR, the complete systems company!

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Allstate Life Insurance Company
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Available in most states
to businesses that qualify.

For a free booklet on Group Insurance for the Small Business owner, see an Allstate Agent near you.

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Cover illustration by John Heirly

May 1974

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Memo From the Editor

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You may wonder what the best answer to labor's push for a veto-proof Congress might be.

Fortunately, we can report that the answer is an inflation-proof Congress.

Almost by definition, a veto-proof Congress would be one that would spend astronomical amounts of tax money on programs union labor favors. It would be an inflationary Congress.

Polls show that inflation is the biggest problem for most Americans right now, but a great many of them don't understand the causes of inflation. As a small contribution, we are sharing the analyses of several leading experts in the article beginning on page 16.

The Chamber of Commerce of the United States has also announced a campaign aimed at protecting the worth of your dollar by urging election of an inflation-proof Congress. (See page 21.)

The key to inflation is government spending. What Uncle Sam does with billions of dollars affects everyone's pocketbook.

Yet, there has been little publicity about the way the federal government arrives at its budget.

We think you will be interested in following the process as reported in our first-hand account by Managing Editor Wilbur Martin, starting on page 48.

If all this talk about problems gives you an unhappy feeling, you will want to look at the article on page 28 about the happy success women are experiencing in the sales field. It is a bright note in our economy.

At *Nation's Business*, we have experienced this happy development ourselves. In recent years, a growing number of ladies have been joining our circulation sales force.

Since we have more than 400 representatives selling subscriptions, sales-ladies don't yet make up a very large percentage. We wish they did. We have found that they are just as capable as men.

In fact, some of our most successful representatives now are on the distaff side. For example, JoAnn Lichte in our Chicago District has been with us more than

6½ years, Sydney Summers and Donna Ingle about 2½ years each. (Relative newcomers who are going great guns are Adele Kratka, Hazel Longworth and Sandy Conway.)

Donna is also what we call an "Eve," as is Karen Ann Miller, who is also a sales leader (see photo).

When we started having Assistant District Managers



a few years ago, we shortened the term to the acronym "Adam."

Then along came Karen and Donna and completed the training as Assistants, so we decided that since the males were "Adam's," they should be "Eve's." Incidentally, Karen's husband, Dexter, followed her into *Nation's Business* and is now an "Adam."

I have saved the best for the last. One of our three division circulation administrators is Alice Renner. She has been with us for more than 25 years.

We couldn't do without her.

Jack Woodbridge

Disability: surprise killer of small businesses



© Continental Assurance Co. 1974

A businessman is disabled. His productivity stops. But living costs and the costs of operating a business continue.

It's called "economic death." It's always unexpected... often unanticipated by many insurance programs. In fact, a person between 17 and 44 has just as great a chance of becoming permanently disabled as of dying.

The economic consequences can be even more disastrous than death. They can drive a small business to the wall. Credit is impaired. Profits decline. Morale drops. Accounts and clients drift away. Competitors lure away

key employees.

In some cases, the disabled man himself may find his business interest waning. And the company may lack the necessary liquidity to buy him out.

What are the options? Not many. Sell to a stranger? Attempt absentee management? Move a family member into management?

There is no happy ending to a disability story. But a Continental Assurance "Business Buy Out" program can help keep the business alive.

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in an unsure world**

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executive trends

BY JOHN COSTELLO
Associate Editor

Improving service and boosting profit

Mr. Big, a heavy depositor at a small Illinois bank, was livid.

After a long wait in line, he reached the teller's window—just as it was slammed shut.

"Lunch," the teller announced, then strode off.

The angry customer was president of a firm that ran more than \$2 million a year through the bank. He canceled his account.

Does this scenario sound familiar to you?

"It should," says Dennis L. Johnson, president, Johnson Associates, Oak Brook, Ill., management consultants.

"More and more, the U.S. is becoming a service economy. But few firms really understand what service means."

"They spend fantastic sums promoting a service image—but pay little heed to the service skills of the employees who meet the customer."

How can you improve those skills?

"Provide strong incentives for good service," Mr. Johnson says. Examples:

- The snake-bit Illinois bank started a new program. It had "gold" tokens printed and gave them to executives of key accounts. When they get super-duper service from a bank employee, they reward him with a token.

It's good for dinner at a classy restaurant.

- A big mail-order house has hundreds of telephone order-takers. When a customer receives his merchandise, with it is a packing slip giving in code the name of the order-taker and his boss.

Complaints are logged by code name. Employee ratings and merit raises are based on complaint records.

Results: Gripes have nosedived; so

have returns and mailing costs, the firm finds.

"Service and profit," says Mr. Johnson, "go hand in hand."

If gas were \$1 a gallon

It wouldn't ground most Americans. They'd travel anyway.

At least, that's what they told pollsters not long ago. The results, released at a recent Discover America Travel Organization conference, were good news for the travel industry.

Those polled were Americans who said they planned to vacation by car this year. If gas were a buck a gallon, they were asked, what would they do? The replies:

	Per Cent
Would stay home	32
Might stay home	11
Would go anyway	25
Would use other transportation	14
Would go—but take shorter trip	11
Would go—but take fewer trips	3
Don't know	2
Other	2

At current prices—an average 56 cents a gallon for regular, the American Automobile Association says—the family jalopy must be really rolling.

Can they really handle your money?

Need help with your financial affairs?

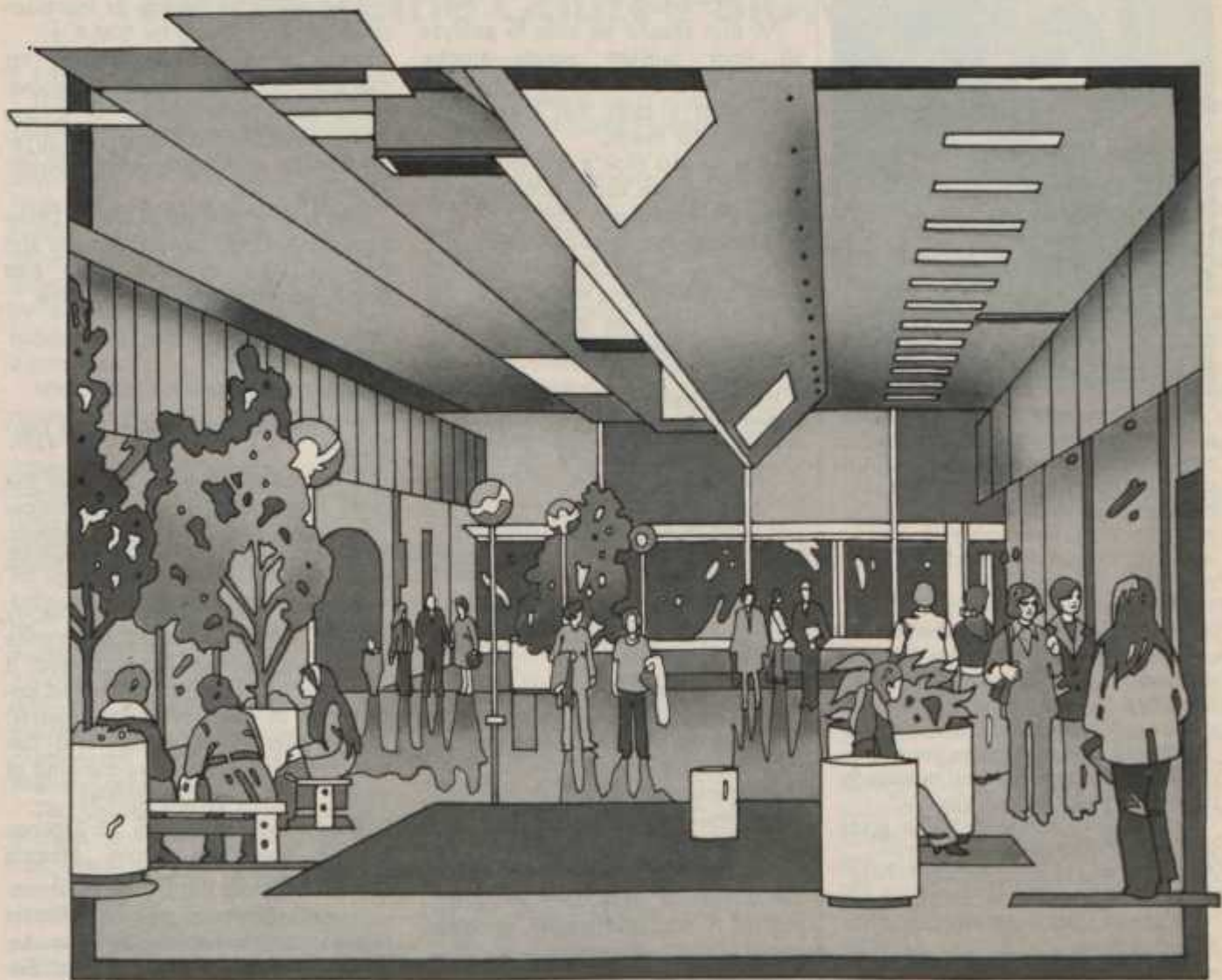
If you're in the \$25,000-a-year bracket—and up—you'll find volunteers galore.

Says Russell K. Jalbert, executive vice president, The Oakland Financial Group, Inc., Southfield, Mich:

"Once, financial counseling was a fringe benefit confined to the corporate brass. Now it's filtering down to upper middle-income families. Many

Whose business insurance is non-cancellable after the first sixty days?

The thousands of shopping center and other business owners protected by Safeco's Continuous Commercial policy.




There are lots of good reasons for calling an independent Safeco agent about business insurance. One is Safeco's Continuous Commercial policy that cannot be cancelled during the premium period after it has been in effect for sixty days. No other major insurance company offers it.

Add that to our other special features like one of the broadest ranges of liability insurance you can get, the fact that we can arrange for a continued income if your business is interrupted, and that we

can continually update your insurance to reflect the rising costs to replace your building anytime in the future. Combine all that with fast, fair claim service and top flight loss control service and you'll find Safeco is the best business insurance company you can do business with.

Why haven't we bragged about all this before? Because there are thousands of happy business owners doing it for us. So, look in the Yellow Pages for the number of your local independent Safeco agent.

You can smile when your business is with Safeco. 

Make your television commercials make an impression.



"Be creative. Generate some interest among your customers and other advertisers. Don't confine yourself to a stuffy studio. Use your own place of business or go to the best studio... the great outdoors. Remember, the sun is still the biggest, brightest light of all. And it's free.

"Save money on production for use in media. Shoot several commercials at once. The price per spot goes down the more you do. Record your sound track first. Then the producer can shoot exactly what you obviously need and nothing more. And use your own personnel for models. You're already paying for their time, so why not?

"And above all, use film. Film gives you a little more gloss. And a producer who works with film is not charging by the hour... he's working per job.

"Film is creative and efficient. Film can work for you."

The Jerry Smith Studio is in Milwaukee, Wisconsin.

Eastman Kodak Company
Dept. 640
Rochester, New York 14650



If you'd like to find out more about filming commercials for television, send for more information, today.

Name _____
Company _____
Address _____
City _____
State _____ Zip _____

Executive Trends *continued*

banks, and independent firms, offer them a personal financial audit."

What's it for?

One, to minimize your taxes.

Two, to make sure your financial planning is sound—and fits your personal goals.

"For example," says Mr. Jalbert, "is it retirement that's bugging you? Or enormous taxes—or big tuition costs for the kids?"

"A firm should be able to analyze all your current assets—stocks, bonds, real estate, insurance—and hand-tailor a plan that meets your own peculiar needs."

How do you pick a financial counselor? Here are some questions Mr. Jalbert suggests you ask:

- Is the firm totally objective?

Be wary if its income depends partly on selling you something.

- Will it insist on seeing all your documents, including income tax returns and will?

If not, it can't do a proper job.

- Will it refer you to other clients?

Make sure you get a list that includes independent references—C.P.A.'s, lawyers, banks—and not just hand-picked happy customers.

- Can it keep your records confidential?

A firm should code its clients so only a few specialists know their names.

- How much will the firm charge?

Be wary of a flat fee. Every case is, or should be, different. And be skeptical if the fee's too low.

What's low?

"Anything less than one-half of 1 per cent of net worth," says Mr. Jalbert. "The firm may hope to make up the difference by selling you stock, mutual funds, real estate or insurance."

Now there's a C.M.A., too

It's a Certificate in Management Accounting.

Don't feel dumb, if it's news to you.

So far, there aren't many of them.

Only 162 accountants have passed the tough, two-and-a-half-day qualifying exam. That's about one out of every six who've tried.

The program is the National Association of Accountants' baby.

NAA's Institute of Management Accounting runs it.

It was set up to meet a growing need for accountants with know-how in financial analysis, budget preparation and other management skills.

They needn't be Certified Public Accountants — C.P.A.'s — because they don't deal directly with the public.

Chrysler Corp. is one of the business biggies looking for C.M.A.'s.

"This kind of accreditation for management accountants is something that's been needed for a long time," says Donald Patterson, Chrysler director of finance and manpower planning.

The U.S. is playing catchup. Other countries—Great Britain, Canada and Australia, for example—have had C.M.A. counterparts for some time.

How to spot a phony license

It comes in handy if you're a merchant.

"The driver's license is by far the most widely used item of identification," says Keith Doerge, president, Drivers License Guide Co., Redwood, Calif.

His firm has published a handy booklet that helps you tell at a glance if a license is doctored or forged. It carries a color reproduction and description of licenses used in all 50 states, plus Puerto Rican and Canadian licenses. Here are the kind of things you can check quickly:

Alaska: Minimum age, 16. License carries operator's photo. Minor's photo printed on red background.

Hawaii: Minimum age, 15. Plastic license carries operator's photo. License number same as Social Security number.

South Dakota: Minimum age, 14. No photo. License number has six digits and one letter. First two digits, month of birth; second two, date of birth; last two, year of birth—followed by first letter of last name.

The Drivers License Guide (\$5.45) also explains the Remington Rand Soundex System. Several states use the system to assign driver's license numbers by encoding the operator's name.

by James J. Kilpatrick

The Supreme Court's Slower Rhythm

I have a notion—it is no more than that—that constitutional law develops according to some invisible rhythm. When a great tree is cut down and we look closely at the rings, we see that here the tree grew rapidly, here very slowly. It is the same with the law. A time of swift growth and violent change is followed by a time in which nothing much happens. We are in the midst of such a time now.

When the Supreme Court went into recess on June 26, it had delivered itself of 145 opinions. It still had two cases to dispose of, and one of these—the Detroit school case—was of large public interest. The Court also faced an historic decision in the matter of President Nixon and the tapes subpoenaed by his special prosecutor. Leaving these then-unsettled matters to one side, we may examine a Court term that certainly was not dull—no Court term is ever dull—but plainly lacked the excitement and controversy that characterized the Warren years.

The Court's '73-74 term continued a trend, a kind of slow movement, that began with the confirmation of Warren Earl Burger as Chief Justice in 1969. We had then experienced 16 years of virtuosity on the bench—brilliant cadenzas of jurisprudence and great crescendos of the law. With an appropriate crashing of cymbals, a dozen familiar themes of constitutional construction had been discarded. Out of the discord came the landmark cases of the Warren Court: *Brown v. Board of Education*, *Baker v. Carr*, *Mapp v. Ohio*. The Court plunged headlong into the thickets of school segregation, legislative reapportionment and criminal

law. If conservatives were often aghast, liberals were often ecstatic. It was an altogether breathless time in the law.

If the rhythm theory has any validity, the country in 1969 was plainly due for a pause. The Constitution is a durable horse, but even Bucephalus had to walk now and then. A simpler explanation for the slower pace may lie in Emerson's observation that "there is properly no history; only biography." If the Court under Warren Burger is not exciting, that is perhaps because it now includes but one exciting Justice. There was a time, seven or eight years ago, when covering the Court offered all the exhilaration of a smashing good thunderstorm; an electric tension animated such men as Justices Black, Douglas, Harlan, Fortas, Clark and Warren. Now only Justice Douglas remains. The Constitution, in the famous truism, is what the judges say it is; when the judges change, the Constitution inevitably changes also. That is what is happening now, but the changes, for the most part, provoke few cries of alarm. Justice Burger is not remodeling the whole house; he is only moving a few pictures around.

This modest approach can be observed in many fields of the law. No matter how the difficult Detroit case is disposed of, the Court will do nothing to disturb the basic rulings laid down 20 years ago on school segregation. Similarly, the Burger Court will not abandon the Warren principles of legislative reapportionment; it will merely inject some common sense into them. In certain areas of First Amendment

law, notably involving pornography, the Court is floundering as miserably as before.

The '73-74 term provided fresh evidence of a mildly altered course in three directions. The first has to do with the nature of litigation—and if that sounds tedious, I am sorry. This particular trend may have considerable significance for the business community. The second has to do with federalism—that is, with the respect to be accorded actions of the states. The third deals largely with criminal law. In each area, we are seeing a steady rollback of legal currents put in motion in the Warren years.

On this matter of the nature of litigation: Until the Burger Court came along, a tendency had been developing to make litigation at once easier and more complex. We were seeing a proliferation of cases that jumped over the single district judge in order to be heard by three-judge federal courts. We also were seeing federal judges extending a warm welcome to criminal petitioners who brought interminable challenges to old state convictions. These tendencies have now been pretty well chilled.

Of more immediate interest to the business community, the Court acted three times in this past term on "class actions." The effect of the several decisions is to make these catchall proceedings, beloved of consumer activists, vastly more difficult. On Dec. 17, in *Zahn v. International Paper Co.*, the Court shot down a high-flying suit alleging damages caused by pollution: The Court ruled six to three that in federal civil ac-

The Supreme Court's Slower Rhythm *continued*

tions based upon diversity of citizenship, every plaintiff in a class action must allege damages of at least \$10,000. On Jan. 14, by the same six-to-three division, the Court rejected a class action brought by civil rights activists in Cairo, Ill. Here the Court held that it is not enough for plaintiffs in a class action to assert merely abstract injury; they must assert something more.

The most important of the class action decisions came on May 28 in *Eisen v. Carlisle & Jacquelin*. This was a suit brought in 1966 by Morton Eisen on behalf of an estimated six million odd-lot traders on the New York Stock Exchange. Of these, about 2.2 million traders could be identified "with reasonable effort." Giving a strict construction to the Federal Rules of Civil Procedure, the Court held that each of these potential plaintiffs must receive individual notice of the suit, thus giving all a chance to stay in or to get out. Because of the heavy costs of providing such notice, Mr. Eisen's class action has suffered a possibly fatal blow.

The Court continued to demonstrate its healthy respect for federalism in a series of decisions during the last term. Justice Douglas spoke for a unanimous Court in upholding a South Dakota law restricting the practice of pharmacy. Justice White led an eight-to-one Court in approving a Texas election law. Justice Douglas again spoke for the Court, this time on a six-to-three division, in ruling that a Florida law granting a special property tax exemption to widows, but not to widowers, does no violence to the Equal Protection Clause. Justice Stewart strongly defended the doctrine of state powers in a six-to-three decision upholding California's disability insurance system.

The rollback can be seen most clearly in the field of criminal law. The last term provided at least 14 decisions that served in some fashion to restrain the freewheeling trends of the Warren years. Eleven of the 14 cases were decided by identical votes of six to three, with

Justices Douglas, Brennan and Marshall in dissent. Two other cases saw Justice Stewart join the three liberals on the losing end of five-to-four decisions.

These criminal cases tell us something not only about the Fourth and Fifth Amendments, but also about the approach of the Court's dominant majority. Its purpose is not to obliterate the expansive new law that was written under Earl Warren's guidance—as Justice Powell remarked in a recent address, many areas of criminal law were indeed urgently in need of reexamination and reform. The majority's purpose is rather to temper abstract theory with reality and justice.

Justice Rehnquist spelled out the majority view in *Michigan v. Tucker*. The case dated from April 19, 1966, when a 43-year-old woman in Pontiac was found tied, gagged and partially disrobed. She had been raped and beaten insensibly. Good detective work led the police to one Thomas W. Tucker, who was brought in for questioning. The police warned him that any statement might be used against him, and they asked if he wanted a lawyer. Admittedly, they failed to tell the suspect that if he could not afford an attorney, an attorney would be provided for him. Tucker said a friend named Henderson could provide an alibi, but Mr. Henderson's evidence was highly damaging. Eventually, largely on the Henderson testimony, Tucker was found guilty of rape and sentenced to 20 to 40 years in prison.

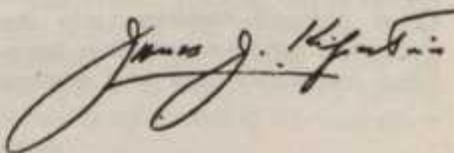
His appeal raised a tangle of constitutional questions, involving his right to counsel, his right to avoid self-incrimination, the admissibility of Mr. Henderson's testimony, and the limits of police interrogation. Justice Rehnquist, speaking for the Court, sliced through the tangle with Gordian blows: "Just as the law does not require that a defendant receive a perfect trial, only a fair one, it cannot realistically require that policemen investigating a serious crime make no errors whatever. The pressures of law enforcement and the

vagaries of human nature would make such an expectation unrealistic."

Justice Rehnquist went on to make a point that is fundamental to the approach of the Burger Court: An accused defendant is not the only party having "rights." Society also has rights. The expansive decisions of the Warren years went a long and useful way toward protecting a defendant's rights. The Court under Justice Burger proposes to restore a balance by also considering "society's interest in the effective prosecution of criminals."

It is an oversimplification, but not a gross one, to say that the Court under Earl Warren seldom was concerned with gut questions of guilt or innocence. Criminals were not thought of as criminals, but as textbook exemplars of constitutional law. In a string of Fourth Amendment cases, the Warren Court repeatedly nullified the convictions of guilty criminals on highly sophisticated and technical objections. The Burger Court, by contrast, will have none of this; it is regularly affirming convictions in Fourth Amendment cases.

This commonsensical approach to problems of criminal law is duplicated in other fields. If there is nothing especially exciting or dramatic about the Burger Court, there is nothing especially academic or theoretical about it either. One gains an impression that the majority is not out to remake the world or rewrite the Constitution. Neither is the majority obsessed with illusions of its own superior wisdom. The four Nixon appointees, often joined by Justices Stewart and White, usually are prepared to take state and federal laws as they find them, without attempting strained constructions to accomplish desirable social ends. After a prolonged period of judicial activism, the Court is enjoying a time of judicial restraint. The country as a whole, I submit, is enjoying it too.



Should Citizens Be Required to Vote?

For nearly 200 years Americans have been going to the polls in a trickle. A good example: In a recent local election in Massachusetts, only 12 per cent of registered voters bothered to cast a ballot—the bedrock act of a democracy.

The United States ranks near the bottom of any list of major democratic countries in percentage of registered voters who actually vote. The 1960 Presidential election that pitted Richard Nixon against John Kennedy brought out only 63 per cent of the voters, and the 1972 race between Mr. Nixon and George McGovern brought out only 56 per cent. The average for the four most recent Presidential elections was 60 per cent.

Abroad, the situation is quite different. Turnouts of qualified voters in national elections average 95 per cent in Austria, 86 per cent in West

Germany, 80 per cent in the United Kingdom, 76 per cent in Canada. In Australia, Italy, Belgium, Luxembourg and some of the Swiss cantons, voting is required by law and fines are imposed on anyone not voting who doesn't have a valid excuse.

Not only do droves of registered U.S. voters fail to vote, but many other citizens fail even to register. Registration regulations are blamed, in part. They vary from state to state, and are not uniformly administered within states. And it's contended that they are unnecessarily complicated.

Registered voters give a number of reasons for not casting ballots, including: They have no interest in the election at hand, they lack knowledge of the issues or the candidates, they can't reach a decision, or they just don't want to bother going to polling places.

Some people say such excuses

shouldn't be accepted. Voting must be required by law, they argue, if the democratic process is to be strong and meaningful. They point out that a winning candidate is supposed to represent all the people in his or her constituency—whether it be a locality, a state or the whole country—and contend that therefore as many of them as possible should take part in the choice process.

On the other hand, it's argued that forcing citizens to vote when they don't care enough to study the issues and candidates would lower the caliber of voting, weakening our system rather than strengthening it. And, it's argued: "I shouldn't have to vote if I don't want to. After all, this is a democracy, isn't it?"

What do you think? Should citizens be required to vote? If so, what sort of penalty should they face if they don't?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should citizens be required to vote?

☐ Yes ☐ No

Comments:.....

.....
.....
.....
.....
.....

Name and title.....

(PLEASE PRINT)

Company.....

City.....

A Triumph of Isolationist Sentiment

The "Sound Off to the Editor" question, "Should smokers be isolated in, or banned from, public places?" set off an explosion among *Nation's Business* readers.

Six weeks after the question was posed in the June issue, responses were still pouring in, with the volume the heaviest for any "Sound Off" question so far this year.

Yeses outnumber Nos nearly eight to one. Even many smokers are on the affirmative side—though they don't favor the outright ban on smoking in public places that a fraction of nonsmokers do. (Several of the latter even threaten to spray smokers with deodorant when they blow smoke on others.)

Kent Porter, president, Kent Enterprises, Shawnee Mission, Kans., waxes poetic:

*They light, they puff, they cloud
the air;
They choke us good guys, it just
ain't fair. . .*

"Many Americans do not have the common courtesy to avoid smoking when it can irritate nonsmokers," writes R. Lee Brown, vice president, Midland National Bank, Minneapolis. Mr. Brown, a nonsmoker, adds: "We have as much right to smokeless air as smokers have to smoke where they wish. Nonsmoking areas should be designated in public places, and the restriction enforced."



Russell A. Dickmeyer, president, Printing, Inc., Indianapolis, opposes legal curbs on smokers, warning of demands to curb other "irritants," including perfumes.

W.L. Walker, vice president for refining, Continental Oil Co., Houston,

accuses 90 per cent of smokers of being "irresponsibly inconsiderate about the fact that their smoking may be obnoxious to others." He feels smoking should be banned in public, especially in elevators.



Paul L. Gomory, Phillips Petroleum representative in Washington, D.C., says a crackdown is justified by harmful physical effects on non-smokers.

Ruth M. Hackman, president, Vinylcards, Inc., Cincinnati, comments: "My last few air trips were most pleasant not being surrounded by polluters. Many friends who have discontinued the filthy habit have confessed they did not realize how offensive they were in former years."

Eleanor M. Moody, vice president, Moody Ceilings Co., Inc., of Detroit, writes: "If I, as a nonsmoker, carried an aerosol spray can of 'kitty gas' (skunk fragrance) and sprayed it so every smoker who was bothering me inhaled it, would the proverbial shoe then be on the other foot?"

An ex-smoker, Leroy J. Bieringer, president, Harshe-Rotman & Druck, Inc., New York City, says smokers "absolutely" must be segregated. "No smoker (and I was one for more than 20 years) can appreciate how offensive the odor is," he explains.

Drunks are "not as objectionable as smokers," says D.C. Muir of Haskin & Muir, San Francisco, who thinks smoking should be banned not only in enclosed public places but in national forests and national parks, as well.

Henry Griesman, president, Dick & Goldschmidt, Inc., New York City, who opposes a ban but doesn't object to isolation of smokers, argues

that if any smoking is permitted on planes, the permission should cover not only cigarettes, but pipes and cigars.

Several respondents say they are allergic to smoke. Chris Seibel Jr., president, Norwood Engineering Associates, Norwood, N.J., writes: "I become extremely upset (stomach flips, eyes burn). My efficiency falls off. There seems to be much data proving detrimental effects to non-smokers exposed to smoke second hand."

Among smokers voting for isolation of smokers, is Tyler W. Durst, president, Durst & Son, Atlanta. "I enjoy smoking but I do not desire to be offensive, therefore I amicably isolate myself," he says.



William E. Rose, Gulf Oil Corp. financial analyst of Pittsburgh, writes that he drives to work to avoid riding smoke-filled buses. He also says smoke can spoil a meal.

On the other side are smokers like Marion Jackson, owner of Cross Country Antiques, Dripping Springs, Texas, who says: "If our government spends taxes collected off tobacco, and allows selling tobacco in public, then smokers should be allowed to smoke wherever they wish as long as there is no fire danger."

John P. Saunders of Glennon's Milk Service, Inc., West Chester, Pa., complains that discrimination against smokers is equal to discrimination because of sex or color. And Janice W. Purkey, a Certified Public Accountant of Morristown, Tenn., expresses a similar feeling: "One by one, our personal rights are being stripped from us. If a person wants to smoke, let him."

You'll never know how much good you can do until you do it.

B.W. Hughes, president, Hughes Oil Co., Monterey, Calif., a nonsmoker, says action should be taken against drunk drivers, killers, rapists and "the majority of our politicians" before "we pick on smokers."

A smoker, Dennis M. Fox, president, Associated Engineering and Manufacturing Corp., Upper Montclair, N.J., also votes No, but comments that "since cigarettes, cigars, etc., smell so bad, we smokers should not infringe on others."

R.M. Bell, department store sales manager, General Motors/Frigidaire Division, Dayton, Ohio, finds "tobacco smoke less irritating than body odor, preferable to bad breath, more desirable than litterbugs or short females with opened umbrellas on crowded sidewalks."

Four years ago a hypnotist helped Jack Tielrooy, president, Tielrooy-Stillman & Associates, Fullerton, Calif., to stop smoking. He had been a three-pack-a-day man. However, he does not object to others smoking: "I understand their problem."

But another ex-smoker, Arthur F. Silbert, writes: "I can appreciate how dirty and inconsiderate most smokers are. As a nonsmoker there is nothing worse than being put in close contact with an incessant smoker." Mr. Silbert is president of Standard Financial Corp., of Los Angeles.

Ralph H. Foulds, vice president, The Penetryn System, Inc., Latham, N.Y., says he "does not allow smoking in my office or in my car. I object when people smoke in my home. I see no reason why all public places should not be segregated sufficiently. Most airplanes are not."

On the other hand, Elaine L. Hoffman of West Springfield, Maine, calls smoking only one form of pollution. "We are inhaling environmental pollutants," she says, and banning or severely restricting smoking in public "would show discrimination against one form of pollution only."



Felipe Magturing knows how much good he can do. He does it every week as a volunteer at a home for mentally retarded children.



Layone Barry Klickstein knows how much good he can do. He does it by volunteering to help poor people win their rights in court.



Volunteer Candy Richards knows how much good she can do. She's doing it for the children at a neighborhood day care center.

You can help people.

In fact, there's a crying need for you. Your talents. Your training. Your concerns. They can make you priceless as a volunteer in your community.

Take a moment to think of all that can be done. For children. The environment. Sick people. Old people. People who just need someone behind them.

Then take another moment to think of what you can do. Perhaps by applying your job skills or personal interests to voluntary action.

There are probably several organizations hard at work in your town doing things you'd be proud to be part of. We'll put you in touch with them. Join one. Or, if you see the need, start a new one.

If you can spare even a few hours a week, call your local Voluntary Action Center. Or write: "Volunteer," Washington, D.C. 20013.

It'll do you good to see how much good you can do.


Volunteer.
The National Center for Voluntary Action

**Ad
Council**

what readers want to know

Who's really ahead in the nuclear arms race, the United States or Soviet Russia?

According to the Center for Defense Information, we're comfortably ahead. For the time being, anyway.

The United States has three times as many strategic nuclear weapons as the Soviet Union, 7,940 versus 2,600. The United States is producing new ones at a rate of about four per day, against probably less than one a day for the Russians. We have 750 operational MIRV missiles (multiple independent re-entry vehicles); the Soviets have none.

But the United States has only 1,054 land-based missiles against the Russians' 1,575. The United States has 1,000 modern solid-propellant ICBM's (intercontinental ballistics missiles) with on-board computers and penetration aids. The Soviets have 60 ICBM's, but they do not carry sophisticated gadgetry like ours.

On the other hand, the Soviets have continued to develop and produce new and larger offensive missiles. These can be converted into MIRV's—single missiles which carry a number of warheads.

Additionally, some missiles in the Soviet arsenal carry a much bigger nuclear punch than ours.

How much will the new minimum wage law cost employers?

Although the amended law does not cover the entire labor force, it will add considerably to employment costs. When higher minimums went into effect on May 1, first year costs were estimated to add \$451.4 million to payrolls. Costs will increase annually through Jan. 1, 1978, when the total will be an estimated \$563.7 million. By then, everyone covered by minimum wage will be earning at least \$2.30 an hour, compared to \$1.60 an hour for nonfarm workers

and \$1.30 an hour for farm workers before the law was amended.

My hobby is keeping tabs on silly government spending. Can you help me add to my collection?

Try these for size. Uncle Sam has spent \$159,000 to teach mothers how to play with their babies; \$121,000 to find out why people say "ain't"; \$19,300 to find out why children fall off tricycles; \$20,324 to study the mating calls of Central American toads and \$375,000 to investigate the Frisbee. Also, \$80,000 to develop a zero gravity toilet and \$230,000 for environmental testing of it.

Am I right that some other Presidents, besides Richard Nixon and Andrew Johnson, have been plagued with impeachment problems?

Very definitely. George Washington and Abraham Lincoln, to name two of the great ones.

As historian Louis Brownlow has written, "Every President when he has been in office has been denounced as a despot, a tyrant, a dictator, as one who was using the power of the government to achieve his personal ambitions.

"The only President who was not so denounced was William Henry Harrison; he lived only one month after he was inaugurated."

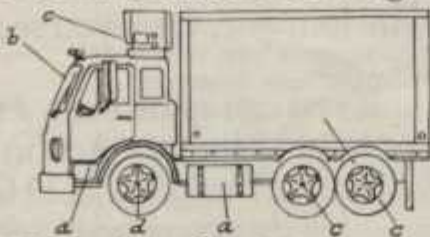
Washington was threatened with impeachment when he refused to turn over to Congress documents leading to the signing of the Jay Treaty with Great Britain. And this he did with no precedent or legal landmark to guide him.

When his Congressional foes could not muster enough votes to impeach Andrew Jackson, they sought to censure him, a move later referred to as "soft impeachment." Ironically, Jackson, long before he had any thought of becoming President, had demanded that President Washington be impeached.

Secret meetings were held in Washington to lay plans for impeaching President Lincoln at the low point of his tenure in 1862-63. The plan failed, of course.

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Three Cheers for Plain English

• James J. Kilpatrick's article, "The Highfalutin and the Mighty" [July], has special significance to me since I have been leading a crusade to purge obfuscation from the pens of our omniscient engineering and business staff.

At a recent meeting of a state environmental education committee, I had an experience with the new language of education much like that described in your article. A representative of the State Education Department talked for 20 minutes, used the word "needs" about 100 times and said absolutely nothing.

I hope your article has some effect, but I am not optimistic.

JAMES A. BECKHAM JR.
Corporate Communications
Florida Power & Light Co.
Miami, Fla.

Need more like Rep. Gross

• Your tribute to Rep. H. R. Gross of Iowa by Vernon Louviere [June] was a masterpiece!

The John Heiny illustration clearly depicts the obvious handicaps, including ridicule from his fellow members of Congress, under which this great statesman labored and which he ultimately overcame.

The price our country will pay for ignoring his simple and sincere concept of a sane fiscal policy is becoming more obvious each day. God bless H.R. Gross in his retirement.

Hopefully, the impact of this lead article in NATION'S BUSINESS might serve to motivate a few freshmen Congressmen to follow in the path of Mr. Gross. We need more, but we'll be fortunate, indeed, if we get one.

J.S. KIMMEL JR.
President
Republic Electric Co.
Gainesport, Iowa

More on testing tests

• In "Executive Trends" [May] you published a brief summary regarding test validation to assure compliance with regulations of the Equal Employment Opportunity Commission.

Unfortunately, if your readers were to follow this advice, they would find themselves in violation of EEOC regulations. What is described is a most simplistic manner of test vali-

dation. For all intents and purposes, it would not stand up under statistical scrutiny, much less the scrutiny of the courts.

According to EEOC guidelines, scores cannot be kept on a total unit but must be broken down by ethnic or minority groups. In addition, recent court decisions have all emphasized that a test must be validated on the particular organization for which it has been used. Therefore, tests which might have been validated upon a wide-ranging sample in San Diego, Calif., will not be valid in Tampa, Fla.

I suggest you direct readers interested in test validation to the Psychological Corp. (304 East 45th St., N.Y., N.Y. 10017); to Science Research Associates (259 East Erie St., Chicago, Ill., 60611) or to an excellent publication developed by the American Petroleum Institute (1801 K St., N.W., Washington, D. C. 20006). The API manual, "How to Install and Validate Employee Selection Techniques," provides an excellent step-by-step approach to validation which, if followed, will be capable of passing the most severe tests imposed by any government inspector.

EUGENE SCHMUCKLER, PH.D.
Consulting Industrial Psychologist
Eugene Schmuckler Associates
Tampa, Fla.

Not speaking for him

• Re your "Sound Off Response" [June] reporting that a majority of those answering supported limitations on community growth.

I am shocked at the attitude of the so-called Americans who support the no-growth concept.

Our nation was founded on the principle of freedom—freedom of religion, speech, travel and others. It would be very efficient and convenient to bar the doors to fellow Americans who would move into our community and become new neighbors. However, a dictatorship is also very efficient, but I am sure we don't want it.

Let us use our energies to seek solutions to problems rather than wasting our time blathering about doomsday. I live in a growing small

town and the new services we are gaining as a result of that growth are wonderful—library and recreation center with a new recreation complex, including an 18-hole golf course, slated to be built soon. Contrary to the doomsday propaganda, growth pays its own way.

Growth is healthy and exciting. Let the doomsday, negative thinkers speak for themselves. They certainly do not speak for this American.

GENE MILLIGAN
Nevada Association of Realtors
Carson City, Nev.

A "Workers Party"

• Every so often, someone writes that we business people must get up off our rumps and form a union. I believe that is correct, but we should call it a "Workers Party" and include everyone who works for a living.

Any way you consider it, the chairman of the board and the man who sweeps the floor have something in common:

1. They don't like seeing their tax dollars doled out to loafers.
2. Their families are equally unsafe from street crime.
3. Both are concerned over their future rights to own and dispose of property freely.
4. Both are subject to review and reconsideration of tax deductions by the IRS.
5. Both wonder where high taxes, busing, the Middle East, energy, food shortages, etc., will lead them.

Yes, we should get with it and get our organization moving. We have time to work into heart attacks while paying these taxes. Why don't we have time to organize and run for office?

MARVIN E. RICHARDSON
Owner-Manager
Microscript Time Instruments
Jackson, Miss.

The customer's always right

• Let me compliment you on the quality and timeliness of the articles which I have enjoyed and benefited from over the years I have been a subscriber. Keep up the good work.

FLOYD E. KERNES
Branch Manager
United Fidelity Life Insurance Co.
Lubbock, Texas

How to Conquer Inflation

A weapon that will win this economic battle is available; but the question is: Will the Congress permit it to be used?

Charlton Heston, star of "Ben Hur" and other Hollywood epics, was on hand. So was Theodore Bikel, who played Tevye in "Fiddler on the Roof."

There were other luminaries of stage, screen and TV, too, such as: Edward Albee, distinguished American playwright, author of "Who's Afraid of Virginia Woolf?"; Conrad Bain, Maude's neighbor, Arthur Harmon, in the prime-time CBS comedy series, "Maude"; and Amyas Ames, board chairman of New York's Lincoln Center for the Performing Arts.

They were not gathered in Hollywood for a show biz spectacular, like the Oscar awards, but in Washington, D.C., for hearings before a House subcommittee. They came to tell Congress why it should boost the budget of the National Foundation on the Arts and Humanities.

Many represented groups that the foundation helps support.

"It's like a clique," says one Capitol Hill cynic, "paid performers applauding their patron."

Witnesses including Mr. Bikel, then vice president and now president of Actors' Equity Association, testified the theater was in serious trouble, with three out of four actors out of work.

When it comes to the arts, said Mr. Ames, Washington is like a big-time spender who wraps rubber bands around his bankroll.

"We have a double standard in this country," he told the subcommittee.

"If the price of our concrete highways doubles, we put up the extra money. If the cost of art institutions

doubles, as does everything else, we take no action appropriate to the crisis. . . .

"We have an artistic trust held in common by all, and we are failing in that trust. We are letting beauty atrophy."

Congress proved it wasn't as tight-fisted as some feared.

By a lopsided vote, it gave the foundation \$118,875,000 to nourish the arts and humanities in 1974. Here's how federal spending on that program has risen since 1966:

<i>Fiscal Year</i>	<i>Spending (in millions)</i>
1966	\$ 5.0
1967	10.0
1968	10.9
1969	12.6
1970	16.2
1971	28.5
1972	57.7
1973	81.7
1974	118.9
1975	175.2 (est.)

When the authorization bill was before the House, Rep. Jack Kemp (R-N.Y.) was one of a minority who spoke against it.

He had "no quarrel with the commitment to promote the arts and humanities," but: "I am primarily concerned with the effect of this authorization on the total budget. I see no profit in approving programs that will compel us . . . to make appropriations that are excessive, that lead to more borrowing, erode the dollar's

value and thus increase inflation."

To the man in the street, federal spending may not seem like the main inflation culprit.

Misplacing the blame

He tends to blame increases in the prices of a few highly visible products, says Prof. Allan H. Meltzer, Carnegie-Mellon University. But it's a mistake, Prof. Meltzer contends to confuse a general increase in the cost of living "with high prices for a small number of items."

"If the price of Arab oil were the principal cause of our current inflation," he adds, "Germany, France, Switzerland and other European countries that rely on the Middle East for more than 85 per cent of their oil would have higher rates of inflation than the United States."

But they don't, he points out:

The United States imports less than 15 per cent of its oil from the Middle East. Yet, during the period of rising oil prices, the rate of inflation in the United States has doubled.

Consumer prices in Germany, Switzerland, France and other Western European countries have increased far less.

"Much the same can be said of food," Prof. Meltzer adds.

The U.S. is the world's largest exporter—or seller—of food. Rising food prices can't cause more inflation here than in the countries that buy it from us. Yet, inflation is worse here than in any other developed country—except Britain, Italy and Japan.

More and more economists point



... maintaining the growth rate of money above the growth of real output has always produced inflation, and all serious inflation has been accompanied by rising money supply.

the finger at Congress' profligacy as the root cause of our galloping, two-digit inflation.

Recently, in New York City, nine eminent practitioners of the gloomy science took part in a special session of The Conference Board's Economic Forum. Here's how the forum's chairman, Conference Board Senior Vice President Albert T. Sommers, summarized their views:

"I am struck first of all by one overwhelming and incontestable fact. There is no one in this room—and, I should add emphatically, including your chairman—who is not thoroughly alarmed by the rate of inflation prevailing in the United States, and in the developed world as a whole. . . .

"We are agreed to a man that the prevailing rate of inflation and the prospective rate of inflation over the next several years poses the overriding threat to economic, social and political stability of the developed world."

Seven of the nine participants in the forum urged a tight rein on federal spending—and on monetary policy—to curb the threat.

Alan Greenspan, president, Townsend-Greenspan and Co., Inc., New York, N.Y., summed up that view.

"The underlying cause of our inflation," he said, "is the rapid acceleration in federal spending and credit guarantee programs."

Income soars, but . . .

Washington, in fact, spends money faster than it comes in—although the greenbacks have been pouring in.

In 1954, Americans handed over

How to Conquer Inflation *continued*

\$69.7 billion to federal tax-collectors. In 1964, Washington's take was \$112.7 billion. This year, it's expected to hit \$226 billion.

Despite the federal government's soaring income, points out Gabriel Hauge, chairman of Manufacturers Hanover Corp., it has been in the red 21 years out of the last 30.

How are the deficits financed?

... the prospective rate of inflation over the next several years poses the overriding threat to economic, social and political stability of the developed world.

By creating money, economists point out.

When Washington spends dollars it doesn't have, the Treasury issues securities to cover the deficit. Many eventually wind up in the vaults of the Federal Reserve. It pays for them by a check which is deposited in the seller's bank account.

That's money. Not cash, but a checking account.

In this way, says Darryl R. Francis, president, Federal Reserve Bank of St. Louis, the Federal Reserve in the past 12 years has contributed "to almost a doubling of our money supply, or in actual dollar terms, a \$120 billion increase."

"Maintaining the growth rate of money above the growth of real output," the Carnegie-Mellon's Prof. Meltzer says, "has always produced inflation, and all serious inflation has been accompanied by rising money supply."

History teaches us, he says, that we can't abruptly halt all monetary growth. To do so means skyrocketing interest rates, followed by a business slowdown and rising unemployment. A big swing in monetary policy hits the economy like a ton of bricks.

But cutting government spending, Prof. Meltzer says, has a much gen-

ter effect on output, employment and prices. He says that we should not take drastic action on the money supply, but should slow down its rate of growth—and shift the federal budget out of the red, into the black.

How can we do that?

How to get into the black

"The essential first cause of inflation in this society," Mr. Sommers says, is the rising "tide of social demands and the failure of our political system to contain the growth of social demands within [acceptable] limits."

"Public attitudes are the fundamental, underlying cause of our inflationary problem," Mr. Hauge notes. "As citizens, we have been demanding more from government than we are willing to pay for."

That may come as a surprise to most Americans, who seldom ask Congress for anything. But every federal spending program has its own constituency.

The woods are full of examples:

- Our food stamp program began as a small, pilot project in President Kennedy's Administration. It then cost less than \$1 million a year. Its object was to distribute some of our bulging food surpluses to the needy.

Now, advocates in and out of Congress have blown it up to a massive \$4-billion-a-year welfare program.

- Recently the National Education Association asked its 1.5 million members for \$1 contributions to NEA's Political Action Committee. In that way, it hopes to raise a \$400,000 war chest.

The money will be used to elect, this fall, Senators and Representatives who are friendly to NEA's goals. One is more federal spending to help support local public elementary and high schools.

Americans already spend more than \$85 billion yearly, from all sources, on education. Or about as much as all other countries on earth, put together.

- Not long ago, the House of Representatives voted to breathe new life into Washington's "war on poverty," run by the office of Economic Opportunity—which is scheduled to go out of existence. The House voted 331 to 53 to move much of the program—

and the employees on its payroll—into the Department of Health, Education and Welfare.

The "war on poverty" will continue to do things like give "professional architectural and related services" to those otherwise unable to afford them and provide \$50,000, 15-year loans to start businesses owned by "low-income" individuals.

The cost: \$3.8 billion this year.

Worried warriors

Who lobbied for this year's \$3.8 billion "war on poverty"?

Poverty warriors, among others.

"No poor people wrote us," one Congressional aide says. "Only people who get money from OEO—for research grants, to fund their non-profit organization or Community Action agencies."

Also lobbying hard were OEO employees. They and others formed a group called Action Committee for Community Services and gave generously to support it. Rep. LaMar Baker (R-Tenn.) warned his colleagues:

"Their [OEO's] lobby group . . . has a budget of around \$250,000. This is being spent primarily on high salaries (including one of \$25,000 a

... a moratorium should be quickly placed on all federal programs which create new expenditure initiatives . . . cut current outlays to the point where the . . . budget . . . is in significant surplus.

month) for powerful political manipulators. . . .

"Regardless of the merits of the legislation being considered, it is an ethically questionable procedure for federal employees to organize like this to influence Congress, motivated by a desire to save their own jobs."

In the past, 80 per cent of OEO's budget went for "administration

costs," a former OEO director, Howard Phillips, says, including staff salaries.

Each of these programs may be worth every cent its advocates claim for it. But all federal spending, regardless of merit, has equally persuasive constituents with a vested interest in it.

Together, they make up inflation's all-powerful lobby.

"The [federal] government has undertaken steadily larger projects," says Ashby Bladen, Guardian Life Insurance Co. of America senior vice president for investments, "without having the courage to demand that the people pay for them on a current basis through taxes—with the necessary consequence that the people pay for them after the event through the hidden tax of inflation."

A moratorium?

Mr. Greenspan says the way out of this mess is "a moratorium . . . quickly placed on all federal programs which create new expenditure initiatives—health insurance, welfare reform, etc.

"Moreover, we should cut current outlays to the point where the unified budget—including federally sponsored credit agencies—is in significant surplus."

Some say that's impossible—since most of Washington's spending is already cast in concrete. Treasury Secretary William E. Simon doesn't hold with that notion.

"The idea that 75 per cent of the budget is uncontrollable," he says, "is a cop-out."

Many Americans may not realize that inflation is a new economic sickness in this country, not a chronic disease.

"For 150 years, ending in 1945, we enjoyed in the United States, with only occasional spurts of short-lived inflation, a generally stable price structure," Mr. Hauge points out.

"The wholesale price index in our country was no higher in 1945," he adds, "than in 1795."

And he argues:

"Inflation can be subdued. It does not have the sanction of history. It is not inevitable.

"Man-made, it can be man-cured."

END



Mary Jo Jones sends you her best.

Her best regards, and her best people for the work to be done.

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Kelly Girl

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Labor's Push for a

Its leaders hope to elect enough friends to be able to

have

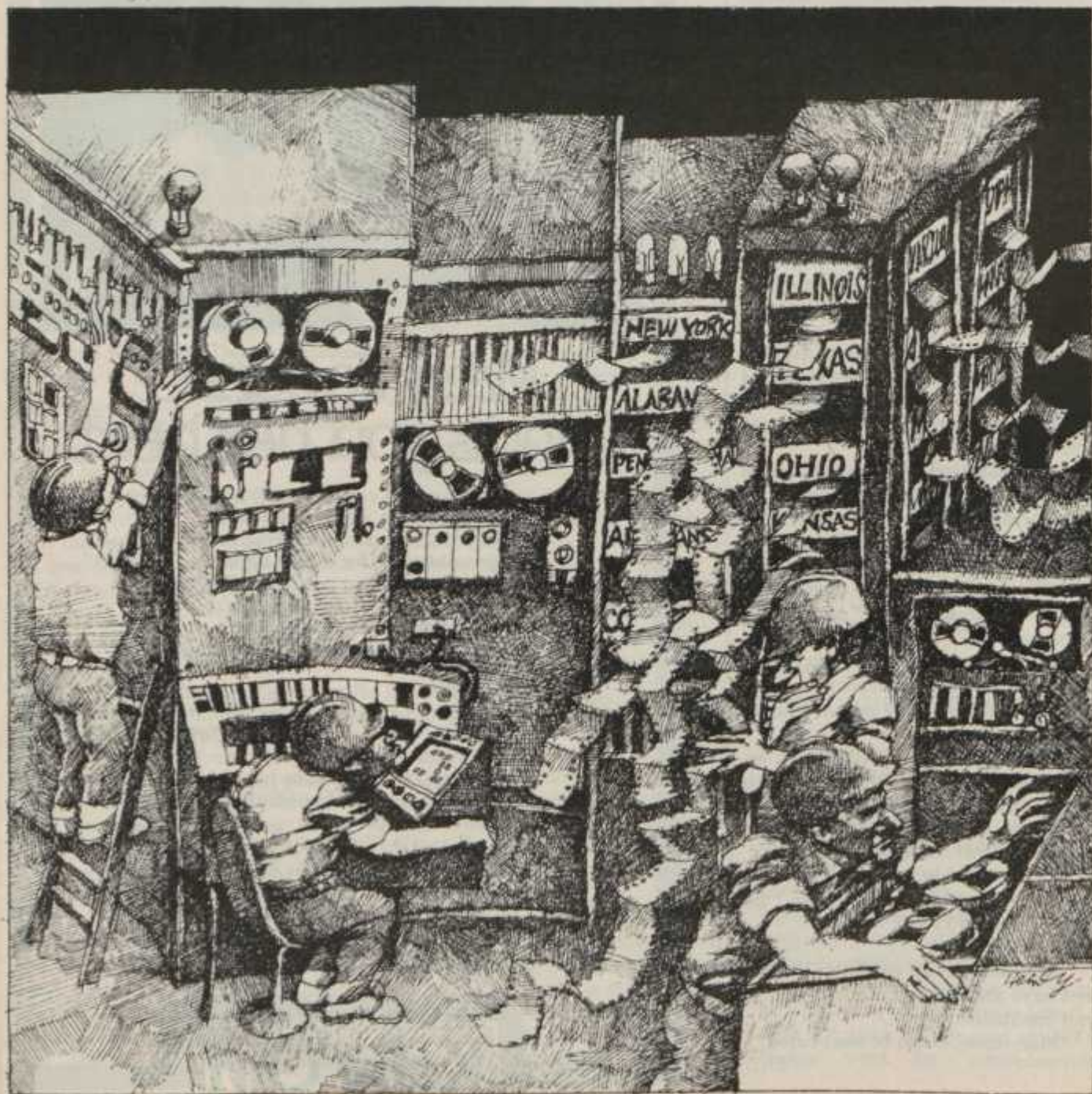


ILLUSTRATION: JOHN MCKINLEY

Veto-Proof Congress

override any Presidential veto; so far, they're batting nearly 1,000

Room 306 of the Sheraton Inn in downtown Johnstown, Pa., probably won't ever be as famous as the "smoke-filled room"—of a big Chicago hotel—immortalized in the language of American politics.

But Room 306 deserves a place in the nation's political history.

For it was a principal command post in the first of the election battles being fought by organized labor with the grandiose goal of electing a "veto-proof Congress" this November.

Reduced to basics, that's a Congress that would not only enact organized labor's legislative demands, but would also be able and willing to override any Presidential veto that got in the way.

And labor's demands are for the most part big-spending, anti-business or welfare-state proposals, and in many cases all three.

George L. Meany, president of the AFL-CIO, stated it in unmistakable terms: "Politically we can move mountains . . . We must elect a veto-proof Congress."

He has also laid down the basic plan for doing so: "We have to work longer, harder and in greater numbers than ever before. We have to work harder to register every union member and every voting-age member of his or her family. We have to work harder at educating union members on the issues . . . at collecting vital dollars for COPE . . . (at) getting out the vote on election day."

The goal of the big labor federation, its leader said, is "every worker a voter; every voting-age member of his or her family a voter."

A series of special Congressional elections to fill vacancies provided an

"NEEDED: AN INFLATION-PROOF CONGRESS"

"Our program will stress the need for all voters this year to evaluate candidates on the basis of their understanding of inflation and their willingness to make the hard choices to cure inflation."

With those words, Arch N. Booth, president of the Chamber of Commerce of the United States, launched an all-out campaign geared to the theme: "Needed: An Inflation-Proof Congress."

Addressing an overflow audience of nearly 500 top corporate and business association representatives, at a conference in the National Chamber headquarters in Washington, D.C., Mr. Booth said:

"A basic premise of the program is that today's inflation is essentially caused by political considerations—deficit spending, increased government waste, growing government bureaucracy and unwise decisions adding to the cost of doing business."

All American citizens, he said, can join the anti-inflation fight by using "their power as voters to influence political decisions by government."

Treasury Secretary William Simon, in a message to the conference, said he strongly endorsed the goal of electing an inflation-proof Congress this November. Action to fight inflation, he said,

must include a return to "that old-time religion" of fiscal and monetary restraint, including restraints on government spending.

As a key part of its campaign, the National Chamber is distributing a three-part kit that includes:

- A quiz to test your own IQ (Inflation Quotient), or understanding of inflation, its causes and ways to curb it.
- A separate quiz for testing the Inflation Quotient of candidates for Congress and determining how they would vote on specific proposals that would help or hinder the fight against inflation.
- Ratings by three national organizations based on how all present members of Congress voted on a wide range of issues, including many with an inflationary impact. The organizations are Americans for Constitutional Action, Americans for Democratic Action and the Committee on Political Education (COPE) of the AFL-CIO.

Single copies of the kit are available without cost from the Chamber of Commerce of the United States, 1615 H St. N.W., Washington, D.C. 20006. Additional copies are available at these rates: Two to nine, 80 cents each; 10 to 24, 70 cents each; 25 to 50, 60 cents each; more than 50, 50 cents each.

Labor's Push for a Veto-Proof Congress *continued*

early testing ground for the labor strategy.

The first was in Pennsylvania's Twelfth Congressional District, in the western part of the state, a district that includes steel mills, coal mines and small rural communities. It had been sending a Republican to the House for decades.

But national and state labor leaders came down hard on the side of Democratic candidate John P. Murtha.

Money and manpower poured in. The Committee on Political Education (COPE) of the AFL-CIO, the steelworkers, the garment workers, the electrical workers were all represented. So were the American Federation of Teachers, the Firefighters Union, the American Federation of State, County and Municipal Employees—plus the Teamsters and the UAW.

Mailings and massive telephone campaigns urged support for Mr. Murtha.

Room 306 was a key point for coordinating the many labor-backed activities.

Mr. Murtha won by a razor-thin margin, but he did win—and the labor leaders congratulated themselves on the success of their all-out effort.

The drive moved on to other special elections: Two in Michigan, one in Ohio and two in California. The labor machine kept up a full head of steam. Union-backed candidates, all Democrats, won five of the six special elections for Congress.

The most embarrassing defeat for the Republicans was the loss of Michigan's Fifth District, which had been represented for a quarter-century by Gerald Ford until he resigned to become Vice President. It hadn't sent a Democrat to Congress since 1910 and Republicans were confident that, despite Watergate and other national problems, they could retain it.

Eye on November

With the preliminaries over, labor's sights are now on the November elections.

To achieve two-thirds control in each House, enough to override vetoes, the Democrats would need nine additional seats in the Senate

and 42 in the House.

Such a lineup would not necessarily be rigid, however. There are conservative Democrats who frequently vote to restrain federal spending and power, as well as some Republicans who join with liberal Democrats to expand it.

A large share of labor's money and manpower will be going to candidates in marginal states or districts, where only a slight shift in voter sentiment is needed to send a pro-labor member to Congress.

In such cases, not only cash but labor's contributions in kind can be an important element, particularly because of legal limits on the amount of cash an organization can give a candidate.

Says Sen. Paul J. Fannin (R-

der the dollar ceiling on campaign contributions recently imposed by the Senate and now pending in the House.

Noting that the bill was being pushed by its generally liberal sponsors to diminish influence of special interests on the electoral process, Sen. Tower asked:

"As far as the impact of special interests are concerned, what difference does it make whether the influence is obtained by direct cash or services rendered?"

"The influence obtained and the danger to the political process is not retarded or controlled when an organization is able to contribute thousands of dollars in services."

A Tower amendment to bring such services under the dollar limit on

WHAT YOU CAN—AND

Actual and proposed changes in campaign-finance laws might be a source of confusion for businessmen wondering how they can properly make their voices heard in the upcoming elections.

As individuals, of course, they enjoy the rights of all citizens to work for and contribute to the candidates of their choice.

In addition, there are legitimate ways in which corporations can be active in election campaigns.

The Public Affairs Department of the Chamber of Commerce of the United States, after consultation with many attorneys familiar with federal election laws, lists these guidelines for corporate political activity, which you might want to keep handy as the election

campaign develops. As a corporation, you CAN:

- Encourage your employees to contribute their time, talent and money to the party and candidates they wish to support.
- Grant leaves of absence, without pay, to enable employees to work for a candidate or party. (Consult legal counsel about continuing such fringe benefits as medical insurance, pension, etc.)
- Conduct drives within the company, on a nonpartisan basis, to urge employees to register and to vote both in the primary and general election.
- Set up, as a separate, noncorporate entity, a fund to receive from employees voluntary contributions to be used for political

Ariz.): "Unions simply short-circuit the system by providing campaign workers who remain on union payrolls, union computers, union presses, union vehicles, union phones and other such services."

Sen. Fannin and Sen. John Tower (R-Tex.) sought unsuccessfully to bring in-kind services, provided by labor or any other organization, un-

contributions failed, 48-40, an indication of the type of clout organized labor is able to bring to bear against a challenge to its political operations.

The type of services in kind available to help labor-backed candidates is detailed in an AFL-CIO report in its magazine, *The American Federationist*, on a new computer operation

in the AFL-CIO's Washington headquarters.

A computerized listing of names of union members throughout the country, the report said, "becomes, in effect, the ultimate mailing list, making possible fast, accurate mailings, as the need arises, to union members in almost any selected political subdivision in the nation."

An estimated 10 million names will be in the computer by this election, and the total will keep growing. There are more than 16 million members of AFL-CIO unions.

The labor organization explains the advantages of the computer setup:

"At this point, it is available for a printout in any form the state or local COPE may call for—mail la-

phone numbers are still not available.

"In voter registration drives, the multiple available listings make it possible to reach some members in their home through street or telephone list, others on the job by calling for a printout by union, then publicizing a date when deputy registrars will be at the plant—or some combination of both methods.

"On election day, it is possible for a precinct worker to draw up a list of voters in triplicate, then tour the polling places periodically during the day. Union members who have already voted are scratched off, with the remaining names turned into the COPE telephone bank for calls. The same can be done on the carbon copies later that day, so by dusk every union member in the precinct

William F. Devlin, Republican City Chairman of Philadelphia, Pa., recalled having unexpectedly met a business executive on a subway train.

As their car raced and swayed along, the executive told Mr. Devlin: "I'm not making any contribution to the party this year. I am too damned mad."

"I asked him just what he was mad at," Mr. Devlin said, "the Republican Party, the Committee to Re-Elect the President, or at some individuals."

"I don't like this idea of a veto-proof Congress, which to me means irresponsible spending and tax cuts that would mean even more inflation, and I'm trying to tell people that's what they are helping bring about when they turn their backs on the

CAN'T—DO IN A POLITICAL CAMPAIGN

purposes. (Consult legal counsel on the proper procedures, including treatment of administrative costs.)

- Conduct nonpartisan political education programs for your employees. The National Chamber's "Action Course in Practical Politics" is a good example of this approach. Seminars on the management, finance and communications aspects of political campaigns are other possibilities.

- Invite opposing candidates to address your employees.

- Explain the issues and how the candidates stand on them to:

- Your employees in terms of their jobs.

- Your stockholders in terms of profits and dividends.

Your suppliers in terms of your continuing ability to remain their customers.

Your own customers in terms of your continuing ability to meet on time their needs for quality products at reasonable cost.

- Pay with corporate funds honoraria or travel expenses to elected officials to participate in informative meetings of employees. (Consult counsel and make certain your records clearly substantiate the nature of the payment and be sure to file appropriate tax forms.)

- Sponsor institutional advertising presenting views on economic, financial, social or other subjects of a general nature. (Consult Section 1.162-20(2), 1974 Income Tax Regulations.)

But you CANNOT:

- Use corporate funds for political purposes in federal elections. This includes purchase of tickets for dinners, parties or similar campaign fund-raising affairs.

- Contribute corporate services, equipment or material for political purposes.

- Reimburse employees or others from corporate funds for political contributions they have made or expenses they have incurred for political purposes.

All three of these prohibitions apply to federal elections. Some states permit corporate contributions, in cash or in services, to state or local political campaigns. Consult counsel to determine the law in your state and locality.

bels, lists, 3x5 cards—and organized under various identifying characteristics—by county, unregistered voters only, by union and so on.

"The computer is also capable of giving COPE officials, locally or nationally, a quick overview. This can show the number of union members in each county in the state, the number unregistered or the ones on whom

may have been reminded, or provided transportation to vote."

In contrast with that type of powerhouse approach to the upcoming elections, there are reports of businessmen turning away from the political process in disappointment or disgust over revelations of the past two years, a mood the party leaders are fighting hard against.

political system this year. They might be punishing nobody but themselves in the long run."

"The tremendous amount of money that COPE pours into a campaign," Mr. Devlin adds, "can really hurt those of us who do not want to see this veto-proof Congress come about."

In addition to money and manpower for the upcoming election, or-

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Labor's Push for a Veto-Proof Congress *continued*

ganized labor sees an advantage in the historical trends of Congressional elections midway through a Presidential term.

While Democrats now control the House, 248-187, and the Senate, 57-43, the party controlling the White House has lost seats in the House in every off-year election since World War II and in the Senate in all but two.

Some observers see a liberalizing trend under way in Congress, as large numbers of veteran members leave, without the added pressure of an all-out labor drive to make it even more so.

They cite the departure of such Senators as Norris Cotton (R.-N.H.), George D. Aiken (R.-Vt.), Wallace F. Bennett (R.-Utah) and Sam Ervin (D.-N.C.), who was better known in his pre-Watergate days as a firm backer of states' rights and an opponent of government intervention in the economic system.

In the House, an even much longer list includes: Reps. Chet Holifield (D.-Calif.), Craig Hosmer (R.-Calif.), Robert H. Steele (R.-Conn.), Leslie Arends (R.-Ill.), H.R. Gross (R.-Iowa), O.C. Fisher (D.-Tex.), Peter H.B. Frelinghuysen (R.-N.J.), Howard W. Robison (R.-N.Y.), Lawrence G. Williams (R.-Penn.), William Jennings Bryan Dorn (D.-S.C.) and Tom S. Gettys (D.-S.C.).

These Representatives either will not run for re-election or have been defeated already in a primary.

All had been considered advocates of fiscal soundness in government and often fought against anti-business legislation that has cropped up with increasing frequency on Capitol Hill in recent years. Labor's chances of making gains in the Congressional election will be improved, it is believed, by the absence from the ticket of these proven vote-getters. More vulnerable newcomers will be opposing the labor-backed candidates.

Facing a backlash?

But labor's march toward its goal is by no means a sure thing.

In fact, some political veterans see marked signs of a backlash to the veto-proof Congress campaign, with even some Democrats getting uneasy over it.

Vice President Ford, Republican National Chairman George Bush and Sen. William E. Brock (R.-Tenn.), chairman of the Republican Senatorial Campaign Committee, have been zeroing in on the theme. Labor's call for a veto-proof Congress, they say, is a power grab to dictate terms that would be extravagantly costly to the great majority of workers, who are non-union. Both as taxpayers and consumers, they would be saddled with the ultimate costs of actions to increase federal spending or to further cripple business.

Mr. Ford predicts that election of a labor-dominated Congress this fall would "open the doors of the Treasury."

By the same token, Democrats show signs they are not altogether happy with voters getting the idea that their party's No. 1 goal is election of a Congress that would serve the interests of organized labor.

Robert Strauss, Democratic National Chairman, told NATION'S BUSINESS that his party was interested in electing candidates who would serve the broad interests of the voters, not just one group.

Part of that growing Democratic concern could stem from a recent survey by Opinion Research Corp., Princeton, N.J. It shows that 70 per cent of Americans think there is too much power concentrated, in this country, in the hands of leaders of big labor unions.

If that weren't enough of a shock, 60 per cent of union members joined in the view that leaders of big labor have too much power.

And 78 per cent of union members polled, compared with 79 per cent of the general public, expressed opposition to the use of union dues to help political candidates.

In urging controls over that type of political spending by unions, Sen. Fannin said the election of a veto-proof Congress would mean:

"Neither Democrats nor Republicans would be in charge of the Congress. It will be a few union leaders who will be able to call all the shots... We are in great danger of providing the unions, which represent only about 10 per cent of the American people—with a stranglehold on our government." **END**

panorama of the nation's business

By VERNON LOUVIERE
Associate Editor

*St. Peter's
Church*

A "Condominium Church" Amid the Skyscrapers

St. Peter's Lutheran Church will not succumb to mid-Manhattan skyscraper sprawl; it will become part of it.

St. Peter's, long a fixture on the New York City scene, has been eyed by real estate developers for years because of its choice location at Lexington Ave. and 54th St. It didn't want to sell. But, like other churches, it could put a bundle of extra money to good use.

Now, St. Peter's has its cake and can eat it, too. It is on the way to becoming what is probably the world's first "condominium church."

In 1970, St. Peter's sold most of its land, along with air rights, to First National City Bank. The old church building, dating back to 1905, has now been razed and a new one is being built, under a 59-story skyscraper simultaneously under construction.

According to the architects, Hugh Stubbins and Associates, Inc., of Cambridge, Mass., "the church—basically a cube—will be carved and etched to give a sculptural impression" and will have a "strong granite form, suggesting the rock on which New York is built." This, they say, will recall Christ's words to Peter: "Thou art Peter, and upon this rock I will build my church."

Financially, the deal has been a good one for St. Peter's—the church received \$9 million and will become a condominium partner with other occupants of what will be known as Citicorp Center. (First National City Bank is now the principal subsidiary of Citicorp, a holding company.)

St. Peter's has clung to Manhattan since its founding in 1861, although it has had to move seven times.

Its pastor, Dr. Ralph Peterson, says many people "are negative about the city and its religious institutions," but "Christians have always been in the



The new St. Peter's nestles under the 59-story Citicorp tower in this rendering.

heart of the city" and still "have a place" there.

He sums up: "It has been said that the role of the church is not to retreat into the catacombs, but to move forward toward being more human in skyscrapers. That is exactly what we are about." •

She Helped Herself, and Will Help Others

When Rosa Li Leong left her native China in 1948 she didn't know a two-by-four from a crowbar. Today, she runs a successful construction company which operates in California and Nevada.

Not knowing if she could ever return home she determined to "learn everything there is to learn so I could be qualified to participate in the American free enterprise system."

She has learned well.

Mrs. Leong earned a master's degree in education at the University of Southern California, and in 1955 she and her husband, Walter Lincoln Leong, a tax attorney who had been one of her classmates, formed Southern California Industries, Inc., real estate investors and developers.

"We started with a duplex, living in one apartment and renting the other," she recalls. "And we began selling and buying larger properties. We were just getting started when my husband died in 1960, leaving me with two small children and a struggling business."

Not everyone took seriously her announcement that she wanted to be a construction contractor. But, she says, she had developed the philosophy that "nothing is impossible—it just depends on how many sacrifices you want to make to get it."

Mrs. Leong began by building branch post offices which she leased to Uncle Sam. Then came apartments and office buildings. But there were problems. She found that bonding companies were not anxious to write surety bonds for a female Chinese immigrant. Mrs. Leong persisted and broke through that barrier.

Now, she wants to help others. She has invested \$300,000 of her own money in a federally licensed Minority Enterprise Small Business Investment Co., a source of venture or expansion capital for small firms comprised of socially or economically disadvantaged individuals.

Secretary of Commerce Fred Dent, who was on hand when she received her MESBIC license, noted that the new company was the first of its type to be developed within the Chinese community.

"Services of our MESBIC will be a little different from the others," Mrs. Leong says. "From the little waiter in the restaurant to some very important people—each is treated as a God-given person. I'm involved in the program because I like to contribute my share to help those who need help and deserve it." •

continued on next page

It Was Rough Going for the Bus Industry

Citizens of Snyder, Texas, could hardly have foreseen the future of buses when they approved a resolution in 1907 banning the operation of these newfangled contraptions in their community.

And many of the bus drivers of that era probably wouldn't have bet much on their occupation's future, in light of difficulties ranging from arm sprains caused by cranking cold engines to occasional fights with passengers in order to collect fares.

Today, of course, the bus is a common sight on the streets and highways of America. It's the only form of public intercity transportation available in 14,000 communities.

The origins of intercity bus service are traced in a colorful booklet just published by the National Association of Motor Bus Owners, which reports the industry is one in which many companies are still owned and operated by the third and fourth generations of the founding families.

Where and when intercity bus service actually began is hard to pin down because several pioneer companies started out about the same time in widely scattered parts of the country. Reliable documentation has



This bus, featuring radio dispatcher service as well as a multiplicity of doors, operated in the St. Cloud-Minneapolis area of Minnesota in the '20s.

been lost in the passage of time. But it's generally accepted that the industry was born about 1905.

What was to become the nationwide Greyhound Lines began in 1914 with an open-air, seven-passenger Hupmobile, carrying passengers between Hibbing and Alice, Minn.—a distance of only four miles. Five years later, the National Trailways Bus System came on the scene with a second-hand Ford carrying passengers between various points in Texas.

Riding the bus was a far cry from today's luxury travel. In midwinter in the North, passengers used lap robes and hot bricks to keep warm. The better roads were surfaced with rough gravel or crushed stone. Speeds were slow and bounced-around passengers needed frequent rest stops. So did the buses them-

selves. Drivers were kept busy changing flat tires—there was no question of someone else doing it, because roadside service was rare.

One pioneer bus operator had a route that at one point frequently developed an impassable mud hole. He solved that by arranging his schedules so buses from opposite ends of the line met at the hole. Then passengers and their baggage were transferred across the hole via temporary footbridge, the buses turned around, and the trips were completed.

Stanley Hamilton, NAMBO director of public affairs, who authored the booklet, says:

"All you needed to start a bus line in those days was a vehicle, someone to drive it, a modest amount of money and lots of determination." •

*returned to Stan Hamilton, P.R. Bus
National Association of Motor Bus
Connecticut Ave N.W.*

A Penny for the Owners, 32 Cents for Employees

"You feel a part of the whole picture—it's down-to-earth and straight from the shoulder." "It helps me and my family know and understand more about the company."

These are typical comments, from employees of the Brunswick Corp., who have just received their company's second "Annual Report to Employees."

J.L. Hanigan, board chairman, says response to the two reports has been so positive and broad-based that this form of communication will probably be made a permanent institution at Brunswick.

(It may also become an institution

at many other firms. A Brunswick spokesman says that after this column last November carried an item on the company's first report to employees, Brunswick received more than 500 inquiries from firms seeking additional information.)

"You are making your most important investment in your company—your time—and hence you are entitled to know as much or more about it as anyone," Mr. Hanigan told the employees in this year's report.

"Within our own plant communities, each of us is quite knowledgeable about how well our division is performing. However, that is only part of the picture. Only when we add all of our contributions together can we see how well our company is progressing as a whole."

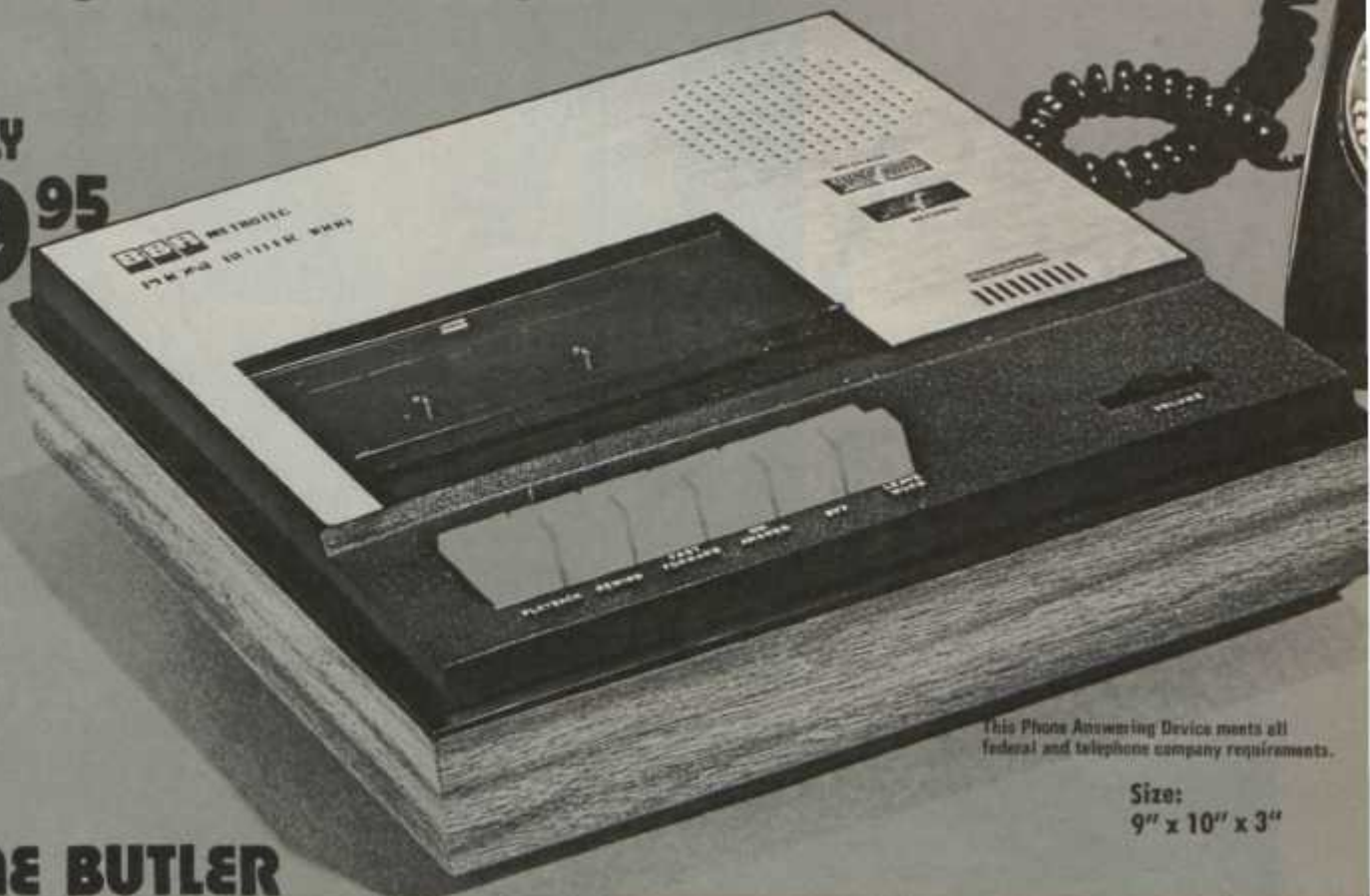
Employees learned in the report, for example, that Brunswick sales soared from \$449.6 million in 1969 to \$683.4 million in 1973—a 52 per cent rise. And that earnings skyrocketed from \$14.4 million to \$39.7 million.

The report also told employees they got a large share of the total income dollar. While one cent of that dollar went to stockholders as dividends in 1973, 32 cents were paid out in wages, salaries and other employee benefits.

A special form was included in the second annual report asking employees to air their views on being kept informed about the company's activities and financial position. Some 90 per cent indicated they would like to continue to receive the reports annually. •

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Diamond Jim Brady, the legendary gourmand, was one of the world's great salesmen.

His gargantuan appetite—a quart of orange juice a day, dozens of blue-points to rev up his appetite for an eight-course dinner at Delmonico's—big tips, a fistful of sparklers and expensive tailored clothes, all these regal habits were supported by selling supplies to railroads.

Well, move over Diamond Jim.

Tomorrow, the world's greatest salesman may be wearing a skirt. Women are moving into a field once the almost exclusive domain of men.

More and more women find sales a rewarding profession.

Take Bette B. Howard.

She and her husband, Luther Sewell "Doke" Howard, live in her "dream home" in Sandy Springs, an upper-crust Atlanta, Ga., suburb. The French country-style house has an immense, slate-floor living room and a large deck that overlooks woods filled with dogwood trees.

"I love to entertain," explains Bette.

Bette's husband is a successful engineer, president of Jones and Howard. She's a district sales manager in northern Georgia for Combined Insurance Co. of America.

When she took over the district, it brought in about \$200,000 a year in premiums. Bette upped it to more than \$2 million annually. In a good year, she herself earns as much as \$100,000.

The Howards' home cost \$97,000 six years ago.

"I'm sure we could double our money today," Bette says, "and it's all paid for—thanks to Combined."

Julia Margaret Curry Walsh, a Washington, D.C., stockbroker, bats in the same league with Bette.

Married to Thomas M. Walsh, vice chairman of a local building and loan association, she's vice chairman of the board of Ferris & Co. As such, she's a trusted financial adviser to admirals, generals and corporate brass. A majority of her clients are men. Her earnings, all through commissions, will top \$100,000 in a good year. She's been a broker since 1958.

"I predated Women's Lib by about 10 years," she jokes.

How many of those in sales are women? Quite a few, depending on how you define the field of sales.

For example, 1970 census-takers found 2.1 million women "sales workers"—and 3.3 million men. That means nearly four out of 10 salesmen answered to Miss, Mrs. or Ms.

But, the same nose count showed, 1.7 million of these women were retail salesclerks, as in department stores or supermarkets.

Another 93,100 sold door-to-door. And 83,600 were real estate agents or brokers.

So these somewhat traditional occupations sop up a lot of the nation's saleswomen. Excluding them, fewer



Helen Ver Standig of Wellington Jewels is the model for "Madame Wellington," drawn by Al Hirschfeld, well-known caricaturist. Madame is a feature of all the firm's advertisements for its "perfect counterfeit diamonds."

mag sent 8.5.74



Handwritten signature/initials.

Some 360 men and women work for Bette J. Sundin, a top sales executive with Field Enterprises Educational Corp., publisher of World Book encyclopedias.

PHOTO: ROLAND L. FREEMAN



Evelyn "Mickey" Tourville gave up a career as a Powers model to sell bricks and other masonry materials for Pittsburgh Structural Clay Products.

Handwritten signature/initials.

Move Over, Men!

continued

than 500,000 really follow Diamond Jim's footsteps.

Recently, the Sales Executives Club of New York took its own poll. More than 3,000 sales executives, including many of the nation's most successful, belong to this club perched high on the roof of the Roosevelt Hotel in mid-Manhattan.

They report that women make up only 4 per cent of their sales forces.

But the number is growing, says Harry R. White, the club's executive director.

"As recently as five years ago," he adds, "it was felt that women just couldn't make it in real selling."

"Why? A lot of reasons: It was too strenuous, or, females weren't made for the rough and tumble of selling."

He laughs and says: "Well, they've since proven they can handle it."

William M. Driscoll, managing director, Sales and Marketing Executives International, New York, also notes the influx.

"I'm judging by the people who come to our management sales seminars," he says. "Emko Co. sent the first woman in 1962. No other company did until 1971. Now we get applicants from more and more industries."

Not bread alone

Selling isn't always the road to riches. But all women in it say it has other, intangible, rewards.

"I love to deal with people," says Mrs. Walsh, in her handsome executive office in downtown Washington.

Dona Byrne, a district manager for Hudson Pulp and Paper Corp., in New York City, makes the same point.

Two and a half years ago, she was looking for a job. An employment agency where she had worked had just folded.

"I was 29, newly divorced, with two young children. I had no idea of my worth, in terms of taking care of myself financially—in terms of having a job I could look at and say: 'Hey, that's really great.'"

"It was a very difficult position. I could either sit back and be depressed about it, or I could take charge of my life and change it—which I did."

"I decided I didn't really want to work in an office, and I remembered

there were lots of sales openings which provided a car and gave you a more mobile kind of job. I had heard, through some friends in the agency business, that Hudson at one time had considered hiring women. So I came and filled out an application.

"The national director of sales interviewed me. I figured if I could sell him—if I could talk him into giving me the job and trusting me—I could sell the product, whatever it was."

Within a few days, she was hired. The job wasn't easy, at first.

She drove 500 miles a week, calling on 160 to 170 grocery stores every month, selling "the product"—Hudson's paper napkins, towels, and facial and bathroom tissue. She started out at \$150 a week, plus a car.

"A lot of my friends' husbands discouraged me," she recalls. "'Women are just not in this field,' they told me, 'especially not in the retail grocery area. It's definitely a man's world.'"

How did it work out?

"Extremely well," she says.

Hudson agrees. Last year, she was promoted to district manager, hiring, training and supervising a half-dozen salespeople. That's a \$12,000- to \$14,000-a-year position.

"You know," she says, "women have traditionally had teaching jobs, nursing jobs, secretarial jobs, or something like that. To have a job where you're respected and treated as a full part of a company, and not as sort of a nothing, has been incredible." Others share that view.

Bette J. Sundin is a branch man-



"I didn't know how I'd feel about selling," says Dona Byrne, now a sales manager for Hudson Pulp and Paper Corp. She's with Edward E. Long, vice president, marketing.

ager for Field Enterprises Educational Corp. in Plainfield, Ill.—one of about 80 who hold that title with her firm. She has a sales area of two million to three million people, some 60 full-time managers under her, and 300 part-timers who sell.

"Most of them are women," she says, "but we have quite a few men, too—airline pilots who fly only 70 hours a month, or are laid off; teachers; and even ministers."

Realizing an ambition

She started in 1948.

"I was working for a steel company, near Chicago," she says. "I was in something called the Good Fellow Club. If an employee was sick, or needed money or had any other problem, it was our job to take care of them." In three years, she went from beginner to the top job there.

"I had gone as far as I could go," she says. "I wanted to get into the industrial relations department. But my boss, a very honest man, said he couldn't move me into it. No woman had ever worked in management in that department, and no woman ever would."

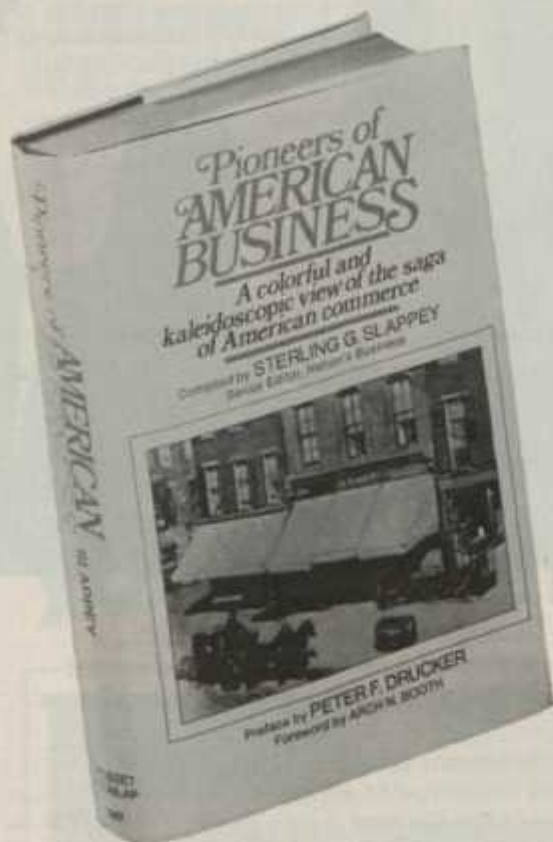
"I couldn't see working 25 years and never going any higher. So I quit. I wanted a job where sex would be no barrier. But I inquired around

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PHOTO: LEVITON, ATLANTA



"I love to deal with people," says Mrs. Julia Walsh, vice chairman of Ferris & Co., a brokerage firm. She's in constant contact with the public, as well as Ferris employees.

As a child, Mrs. Bette Howard always won the top prize, \$1, for selling tickets to PTA events in her hometown, Somerville, Ga. Now she's a sales manager for Combined Insurance Co. of America.

Move Over, Men! *continued*

and found that most companies were even worse. They wouldn't touch me, if I couldn't type."

Field Enterprises hired her to sell World Book encyclopedias.

Bette wanted to be sure there was opportunity, as well as income.

"I went to my boss," she says, "and asked: 'How long would you have to work here to be a branch manager?'"

"He said: 'Do you mean how long you would have to work before you're promoted? I'll tell you, Bette. You might have to work two weeks, or you might never make it.' He was honest. I liked that."

In three months, she was promoted to area manager, in another six months to district manager, and in a few years to regional manager. In 1960, she got the top job in the field—branch manager. To go higher, you must go to headquarters—and stop selling. She wouldn't like that.

Miss Sundin makes \$80,000 to \$100,000 a year. But to her, that's not the real reward of selling.

"I'm happy," she says, "when I sell

World Book encyclopedias, because I know how much difference they make in a family with children. Also, when I hire people to work for us who have a poor self-image but who make a success as a result of training."

Changing an industry

In some cases, women have already changed the makeup of an industry.

Helen L. Hirt, an Indianapolis real estate broker, says she was once one of only a few women in her field.

"This year," she says, "I understand women will sell 75 per cent of the residential real estate in the country. But I can remember when I was treated like dirt. I was a dumb little girl. Men brokers wished I would go away."

Helen didn't. Last year, and the year before, she sold over \$2 million worth of homes. For the 10 years prior to that, she sold over \$1 million annually.

Currently, she's first vice president of the Women's Council of Realtors, an affiliate of the National Association of Realtors.

Her first sale, in 1936, was a \$4,000 repossessed home. Her commission was \$100. At the time, selling was a sideline for her. "Full-time," she says, "I was secretary and bookkeeper in a real estate firm, Bridges & Graves Co."

Now, at A.H.M. Graves, Inc., she's head of a sales team of 10, usually mostly distaff.

In her field, she says, success requires "an understanding husband, if you're married," as well as drive and determination. A woman, she says, often doesn't have the necessary dedication.

"She has been trained from childhood for service—to children, a husband, or parents," Mrs. Hirt explains. "She doesn't make business her whole life. Before I hire a young woman, I tell her: 'Better talk to your husband. If he comes home for dinner at 6, and it's not on the table, he'd better not be upset.'"

Women are breaking new ground in other sales fields, as well.

Take Evelyn "Mickey" Tourville, of Pittsburgh, Pa., a divorcee who

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Today's spruced up industrial park

If you've always thought of an industrial park as an ill-conceived clutter of warehouses and garages, well, it's time for another look.

Today's well-planned park has attractive buildings, wide streets, lots of grass and open space, extensive landscaping, ample parking and all kinds of shops, recreational facilities, hotels, branch banks and mass transportation hook-ups.

Business has always realized extra benefits from the industrial park plan. A park, in the words of one developer, allows a business to "use its cash in its operation rather than going into the real estate business."

And it seems that, for once, a good thing is getting better.

Shouldn't you know what's ahead for industrial parks? And what your business might be missing out on today?

You can read about it here—in the October issue—as *Nation's Business* takes a special look at area development.

Area development. Inside *Nation's Business* in October.

Move Over, Men! *continued*

had to support three youngsters. She sells bricks and masonry for Pittsburgh Structural Clay Products.

That's quite a switch from an earlier occupation—a John Robert Powers model. Why did she make it?

"When my son, Skip—Maurice Tourville III—went to college, I felt a need for additional income. I began doing promotion and public relations for this brick distributing firm, started by a friend of mine.

"Soon people I called on started to order from me. The owner felt I did well enough to ask me to work full-time as a salesman."

What clinched it for him was a sales presentation she made to the building committee of the Slovak Civic Club, some three years ago.

A sales coup

"They were thinking of plain concrete block. I convinced the committee to use corduroy block on the front, and a split block around the sides. This cost more, but was esthetically more pleasing."

She was able to score the sales coup despite a handicap—the distraction of a personal sorrow.

"My sister died suddenly, shortly before the appointment," she says. "I had to leave the funeral home to make it."

Some companies are going all-out to turn their sales forces coed. The federal Equal Employment Opportunity Commission does nothing to discourage that.

"Women may be hired because of the law," says the Sales Executives Club's Harry White, "but their performance has sold management on them. At Philip Morris, for example, 25 per cent to a third of the sales force are women."

Susan Hogeboom is a Philip Morris saleswoman.

She's five feet, four, weighs 105 pounds, and totes a sample case that weighs 20 or 25. Miss Hogeboom was graduated from Keuka College, a woman's school in Keuka Park, N.Y., in 1971, with a sociology major.

"I applied for a social worker's job," she says, "but couldn't land one. Then I decided it wasn't for me anyway. I think a woman can make more money in selling."

She works for Philip Morris'

Providence, R.I., division, and drives 200 to 300 miles a week covering her route—some 300 drugstores, supermarkets, liquor stores and other shops in Massachusetts.

The opposite sex

Do saleswomen get a hostile reception from men? Marie Burke's experience holds a clue.

She got a B.S. in journalism from New York University in 1949, but travel fascinated her. She took a job as a reservations supervisor for Pan American World Airways, later went to work for a travel agency and is now an account executive with Hilton International.

"I sell group travel," she explains, "not air, but nights in Hilton International hotels." She joined the firm in 1970, a few years after her husband's death.

Mrs. Burke keeps close tab on some 150 major travel agencies in Manhattan alone, primarily handling group tours. One is Diners Fugazy Travel and Incentive Co.

She gets a warm welcome there.

"As a salesman," says Richard Verrazzani, of the firm's incentive sales department, "she's tops. There are three reasons why.

"She represents a good product.

"She's not hard sell.

"Finally, whether it's a big sale or small, she's always available, always glad to get you information. It's a service industry, and she gives you service."

Selling is the greatest way to make a living, says Helen Ver Standig, also a widow. She owns a string of Washington-based Wellington Jewels stores. They sell what they call "the world's most perfect counterfeit diamonds."

"I'm a saleswoman from away back," she says.

She started in 1932, at age 12, selling clothes in her father's exclusive Connecticut Avenue dress shop.

"If you know how to sell, you're never insecure," she says. "It's especially good for a woman.

"Secretaries get old, and nobody wants them.

"Stewardesses get old, and nobody wants them.

"But selling is something you can do all your life." —JOHN COSTELLO

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LESSONS
OF
LEADERSHIP
PART CXI

*How
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Richard P. Dobson of British-American Tobacco

"Anyone who is afraid of me will be fired"

"Most of us have forgotten the day when we could afford either a can of baked beans or a pound of flour, but not both."

So says Richard Portway Dobson of business executives who started out during the Depression. And while it has been many a year since he could not afford both beans and flour, he won't let himself forget that day. This Briton detests ostentation among executives. His one concession to putting on a flourish is his use of a company Rolls-Royce during business hours when he is at his headquarters in London.

Mr. Dobson, 60, is at the peak of international business as chairman and chief executive officer of British-American Tobacco Co. Ltd., the largest tobacco firm on earth.

BAT, as the company is called, sells 450 cigaret, 200 cigar and 300

pipe tobacco brands in 170 countries. Annual volume exceeds \$6 billion.

Oddly, British-American is little-known either in Britain or America. It is the third or fourth largest firm in Britain (depending on how you count company holdings) but until recently none of its tobacco products were sold in the United Kingdom. In the United States, BAT's wholly owned subsidiary, Brown & Williamson Tobacco Corp., of Louisville, Ky., carries the company banner. Brown & Williamson's principal tobacco products are Kool, Viceroy, Raleigh, Belair, Life and du Maurier cigarets and Sir Walter Raleigh pipe tobacco.

In recent years, BAT—through Brown & Williamson—has bought Gimbel Brothers, the 36-department-store chain; Saks Fifth Avenue, the 29-store high fashion chain; and Kohl Corp., the 70-unit supermarket, department store and drug chain in the upper Middle West.

Mr. Dobson's multinational giant also owns firms in more than a dozen other countries. Its interests include not only retailing and tobacco, but also production of tea, paper, food

and cosmetics—Yardley is one of the better-known BAT-owned companies.

BAT was formed in 1902 after James B. Duke's American Tobacco Co. and a British firm, Imperial Tobacco Co., agreed to a division of markets. Mr. Duke's firm got the U.S. and Cuba, Imperial got Britain, and BAT—whose stock was owned by American Tobacco and Imperial—got other markets. When Mr. Duke's American Tobacco was broken up by U.S. anti-trust action, its ties to BAT also were broken.

Today, BAT is run from stately, somewhat old-fashioned Westminster House, overlooking the River Thames a few stone's throws from Parliament.

Although he can live wherever and however he wishes, Mr. Dobson and his wife occupy a modest, but pleasant, house in London's suburb of Richmond. He travels to and from work by train.

Whenever he enters or leaves the BAT building, he gets a stiff, smart salute from the uniformed doorman. This obviously is something he could do without.

In an interview with a NATION's BUSINESS editor, Mr. Dobson talked

Richard P. Dobson strolls near his London office. Directly behind him is a statue of Abraham Lincoln. In the background: the tower from which Big Ben peals.

of leadership, the tobacco business, his career, and operations by foreign firms in the U.S.—all the while puffing on an old and comfortable pipe.

Is there any shortage of tobacco?

Yes, a world shortage. Total consumption increases quicker than farmers can produce this labor-intensive crop. A huge stockpile of hundreds of millions of pounds recently melted away in the United States.

How have the various governments' requirements of health warnings on packaging affected cigaret sales?

In the United States there is clearly an awareness of the warnings. We had a flattening out in sales four years ago, but now sales are creeping up again.

In Britain, the better-educated people are not smoking cigarets as much as they used to, but the great mass of people cheerfully go on smoking and sales are increasing. The printed warnings slowed down the rate of increase, I suppose.

What effects have antismoking ads had?

Two or three years ago, I think, they were effective in holding down smoking. But the ads became counter-productive. People got sick of being frightened, of being told they were lunatics or suicidal, if they smoked.

Anyway, I think that we members of the human race make judgments semiconsciously about how great the risks we take are. And it's my conviction that smoking, by relieving tension, does more good than harm.

Any idea what percentage of physicians smoke?

I don't honestly know, but I should think fewer doctors smoke than almost any other class of person.

If I were a doctor I probably wouldn't smoke. If I were a dentist I probably wouldn't drink. Thank God I'm not a doctor or dentist.

What's going on in the research labs concerning tobacco?

There are a fantastic number of compounds in tobacco—30,000, or some such figure. We can identify a few hundred and only about 10 of these are of interest to the research-

ers. So far, they have never found anything in sufficient quantities to account for the apparent connection between smoking and lung cancer.

And there's much research on artificial tobaccos based on cellulose. The trouble is that it takes an awfully long time to know if you're really any better off smoking cellulose than smoking tobacco.

To a tobacco man there's nothing more beautiful than a really fine cigar, a jolly good smoking tobacco, a well-made cigaret. The thought of having a lot of substitutes like you get in jam or lemon squash is slightly repugnant.

How do you feel about reserving public areas for nonsmokers?

I must say that if, in the train coming up to London at a quarter to eight in the morning, I happen to sit next to a man who's smoking a bloody great pipe of some rather strong tobacco, I don't like it.

If I have a drink, it doesn't bother anybody; but if I smoke, it may—to some extent.

There certainly should be alternate places, wherever possible. We have to weigh the pleasure of the smoker against the irritation to the nonsmoker. [See "Sound Off Response," page 12.]

If you weren't chief executive officer of BAT, what would you like to be?

I used to want to be a lawyer. But when lawyers are young they don't earn much money. I had three young brothers and a sister and I decided early on that I would earn some money. Being a lawyer is very hard work—much harder work than I do.

If I had been a lawyer I would rather have been one in the United States.

Why?

They have much more influence there than in Britain.

Your father was a prestigious professor of Greek at Bristol University, but you are not from one of Britain's wealthy families. Did the fact that you didn't inherit wealth slow your rise to the top?

It might have slowed me down if I had gone into other fields.

In my young days, some businesses in Britain were hereditary—shipping, brewing and so on. Even now there are great shipping families here, although they are gradually disintegrating.

But BAT has always been beautifully free from nepotism.

Nepotism is an insidious thing. Our company had a small business in Europe many years ago—son to take over from father, and so forth. One son wasn't as good as the father, but he was to take over anyway. It didn't work.

It's very painful to tell a chap his son is no bloody good.

Several years ago, we got a very good man for an American subsidiary because the son of the managing director at the company where he was then working blocked him from the top job there.

When you do get a man who has clawed his way to the top past brothers, uncles and cousins, he can be awfully good.

I'll give you an example of the other kind.

Once I was fishing in Canada and at night we would play three-handed bridge. I won \$2 one night from an American who would inherit the top job in one of the great companies of the world and who had a personal income of several million a year. He didn't understand three-handed bridge, so our host persuaded him not to pay up.

Besides that, every day he would use fine claret to wash down peanut butter sandwiches for lunch.

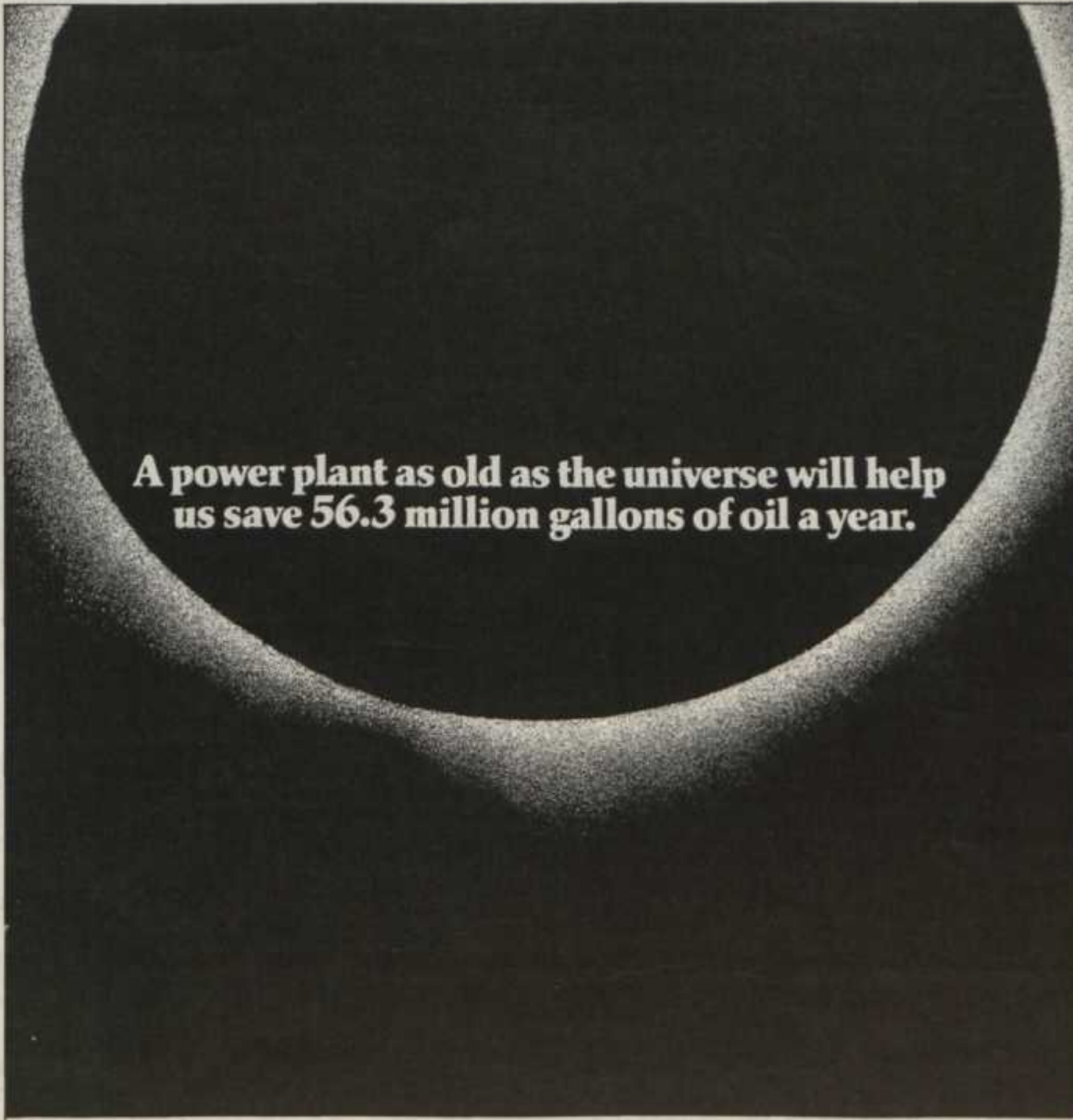
What's your work schedule like?

I'm fairly lazy. I'm not one of those people who claim to work into the night—I certainly have no fetish for long hours, and several times a week I quit early.

But I do get in early every morning—at 10 past eight. This used to give me an hour to sort myself out before people started popping in. Unfortunately, people around here have spotted me that early, and now they come early themselves to pop in on me.

Do you do much traveling?

My wife and I have one child, a married daughter, so there are no



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And, of course, sun.

The best ideas are the **ITT**
ideas that help people.

How



Mr. Dobson never loses his optimism that someday he will be a great golfer. He plays often, sometimes taking his clubs with him on business trips. But he admits proficiency has escaped him so far.

Richard P. Dobson *continued*

requirements at home to keep me from traveling a bit.

There's no substitute for traveling—seeing the people. You learn many things you would not otherwise learn. Recently, I was in Nigeria and picked up some most valuable information on laws regarding dividends. I wouldn't have, sitting here in London.

BAT is a traveling company. It's said that one of the early-day chief executives used to walk through the offices here in London and on finding any director in his room, he would say: "What the hell are you doing here? Get off your rump and get off to Borneo or someplace."

Some people here feel guilty if they aren't traveling. It's a rather expensive thing to do, but you always learn something.

You take your wife with you on your trips?

We have a fairly ungenerous company rule about that and we have to satisfy ourselves that it is useful to the company to have a wife along. In my case, I don't wish to abuse the practice of taking her with me, but the chairman's wife has an obvious

value for social occasions.

This traveling is exhausting. Recently, in Africa, we stayed in several different places in Nigeria, Ghana and Sierra Leone, and twice running we were in bed at one o'clock and up at seven. In one's declining years one can't do that quite as often.

Do you golf?

Yes, terribly. My club secretary said he could put my handicap over 18 but I said no, I'd rather lose and keep my pride.

I'm always on the verge of making a breakthrough in golf. I'm clearly sure I'm going to play better the next Saturday than I've ever played before.

What else do you do to relax?

I rowed at Cambridge and these days I translate French poetry now and again when my mind needs a little sewing up. I have some facility for meter, which I inherited, and which was useful once in getting a scholarship.

I like fishing. In fact, one of the things that really worried me about the damned petrol shortage is that it would interfere with my fishing.

Wherever I am, I borrow a rod and go fishing—New Zealand, Kashmir, Denmark, Sierra Leone, South America. You can't worry about the shareholders when you're fishing.

Which is best for relaxation—golfing or fishing?

Fishing. In golf there are 95 or so—the number of strokes I take—moments of stress. In fishing there may not be any such moments.

Are you one of those executives who objects to arriving first for an appointment—or a party?

I know that disease, but I don't have it. I'm painfully punctual. My wife is always trying to get me to be 10 minutes late.

You flew Spitfires in North Africa, Italy and Burma during World War II. Didn't you once tell someone it was rather dull?

Yes, as a matter of fact I did say that. Also, I was talking with a colleague recently about my son-in-law, who is in the British army in Northern Ireland. That's been a nasty place because of all the killings. My colleague commented that being in

the peacetime army isn't much fun. I said it's not much fun in wartime either.

Wartime can be a bit alarming, of course.

Did you shoot down any enemy planes?

Nothing that was ever confirmed. I had rather a charmed life, actually. Once we got to Burma, the Japanese kept out of our way. I was in a combat squadron but there wasn't much in the way of battles.

Since I wasn't a brilliant flier it was probably just as well. In fact, I suppose I was pretty brave to fly myself at all.

How did you get your first job at BAT?

I was at King's College, Cambridge, and scholars attended the Founders' Feast along with various great gentlemen. An American friend, Eugene Rostow, now of Yale University, was studying with me and at the Feast he pointed out the distinguished Mr. Felix Frankfurter, who later served on the United States Supreme Court.

I was intoxicated for about the second time in my life and I tottered to my feet and went over. Mr. Frankfurter was talking with the great economist, John Maynard Keynes, making it a rather distinguished two-some.

I said: "I believe you're Mr. Frankfurter." Well, he was pleased at being recognized, so we had a little chat.

That was 1934. Later BAT sent a talent scout to Cambridge and Keynes mentioned my name to the scout. Keynes was a good man to have a recommendation from and I was asked to go to China for BAT. The Depression was on and jobs were scarce. I said: "Why not?"

I've been with BAT since, except for RAF time during the war.

What are some of your personal practices in running the company?

I deeply think it's my duty to tell the shareholders enough for them to decide if the shares are worth holding or not. I tell them twice yearly, and I will not be caught deceiving my shareholders.

Also, I believe in brief daily meetings of top executives. If there's something exciting, we take longer. But the point is, we meet daily. There's nothing more tedious than saying: "The next meeting isn't for a fortnight, so that's got to wait."

In practicing leadership, I look back a bit to my time in the RAF.

I was 30 and my squadron leader was 21. He was rather an unattractive chap, but he knew exactly what he was doing and he took great care not to lose one of his pilots. I would therefore have gone anywhere with that chap.

The essence of leadership is confidence and fairness. I try to foster these here by permitting people to do what they want to do rather than urging them on. I hate people who have to be pumped, boosted and so forth.

I was cross once when I learned that people in the company were afraid of me.

So, when next I addressed our troops, I said: "Anyone who is afraid of me will be fired." That raised a laugh.

Really, I'm a humble chap. Like most people, I have made a lot of

nasty mistakes—which I acknowledge.

What are some bad moments you've had as a chief executive?

Over the years I've fired a few people. That's painful.

But the worst moments I've had in quite a long time were last year, in dealing with Argentine kidnapers who took two of our executives for ransom.

Just what does a company do at a time like that?

BAT undertook not to tell certain things as part of getting our men back. But I'll tell what I can.

When a company has a man taken by kidnapers or guerillas, there is only one logical thing to do and that is to pay nothing. That's the rule we had when I was in China. But I'm not quite made of that fiber, I'm afraid. I'm happy we got our men back and I'll say no more than that.

You were in charge—from London—of BAT's American ventures for eight years. Did it ever occur to you to live in the States permanently?

No, not that I don't love it when

WILL THE REAL MAKER LIGHT UP?

The world of international tobacco companies can be as intertwined as grape vines in an arbor, with companies—through trademark agreements—holding manufacturing rights to certain cigaret brands in some countries but not in others.

For example: British-American Tobacco owns the trademark for Pall Mall and Lucky Strike in most of the world outside the United States and Britain, and Brown & Williamson, BAT's U.S. subsidiary, makes these cigarets in Virginia—for export only. In the U.S., Pall Malls and Luckies are made and sold by American Brands.

Another example: Benson & Hedges, a Philip Morris brand, is marketed exclusively in the United States by Philip Morris. But an American Brands subsidiary makes Benson & Hedges in Britain, and BAT markets Benson & Hedges in a wide selection of countries around the world.

Furthermore, in some countries both Philip Morris and BAT market Benson & Hedges. Although the Benson & Hedges brand name is the same in these countries, the packaging, tobacco blends and lengths of the BAT and Philip Morris types are different.

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Hon



Richard P. Dobson *continued*

I'm there. But I could not live there unless I pushed the president of Brown & Williamson from his job, and I wouldn't do that. I do like the friendly atmosphere of places like Louisville, and even New York is stimulating for a short while.

Are there Americans on the BAT board of directors?

No. There ought to be. In the past there have been several. Americans have also served as chairman and deputy chairman.

BAT has been in the market for acquisitions in recent years. Any new ones coming up?

No. We have all we can digest at the moment.

Gimbel's was a big bite. It was an exciting episode and we had to move very fast on it. Now we are gradually getting the right people in the right places, which is the first thing you have to do after an acquisition. I think Gimbel's is a marvelous business, although it had quite clearly been over the peak for a few years. Turning a business around takes time. Gimbel's has a lot of good people in it whom one has to unearth.

Saks Fifth Avenue is a handsome organization, too.

Why are so many non-American firms rushing to invest in the U.S.?

It's a marvelous country to do business in, if you make it. We've been in the States since 1926 when we got Brown & Williamson. It didn't really pay off for many years but now it is easily the biggest single contributor to our profits.

I think the United States has a great future. When you think of the balance of payments problem two years ago, there has been an absolutely miraculous turnaround.

America has this extraordinary resilience and it is still the most stimulating country to work in because when you get things right the sky's the limit for your rewards. But it would take more nerve than I've got, for example, to start one store there and build on that. Hence something big and established like Gimbel's, with a position in the market and a well-known name, a number of competent people—that's for us.

We let Brown & Williamson very much run its own show. We in London discuss with them and they discuss with us. We may say: "Have you thought about this or that?" In those eight years when I was personally responsible to the firm for Brown & Williamson, I never gave an order.

Brown & Williamson has 18 per cent of the U.S. cigaret business. It had 9 per cent 12 years ago. This growth was accomplished by Americans. There isn't an Englishman there.

If you had a good non-American friend opening a business in the American market for the first time, what advice would you give him?

First, I'd tell him he'd better have quite a lot of money.

Then I would tell him not to go nationwide until he's got a product already established in a test market.

Then I'd say he'd better have American friends and hire some damn good Americans, whether he is selling airplane engines or gumdrops.

I would say to have patience and to test his product thoroughly.

I would advise him not to go into certain industries—cigarettes for one. If you've got six big boys in an industry at each others' throats, the new little boy is not going to have much fun. I reckon it costs \$10 million in the first year to promote a new brand of cigarettes nationwide in the U.S. Few foreign firms have that kind of money.

And I would tell this friend to be careful about trying to manufacture in the U.S. It's probably more economic to manufacture elsewhere at first and ship to the U.S.

Finally, I'd tell this friend of mine to be jolly careful to be sure he has a product that's a bit better than what the Americans already have. **END**

REPRINTS of "Lessons of Leadership: Part CXI—Richard P. Dobson of British-American Tobacco," may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

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This Month's
Guest Economist
**Raymond S.
Hartman**



Raymond S. Hartman is a staff economist at Arthur D. Little, Inc., and is a candidate for a Ph.D. in economics at Massachusetts Institute of Technology.

History's Clues to the Future?

Early talk of a 1974 recession was fueled by the energy shortage and dislocations generated by wage-price controls. While the present forecast is for an economic upturn in the months ahead, there are still serious questions about the vigor of the economy.

These questions apparently have been left unanswered by the sophisticated computerized models now used as popular forecasting tools. They may be answered by the work of the late Russian economist, Nikolai Kondratieff.

Who was he? Nikolai D. Kondratieff was a professor at the Business Research Institute of Moscow in the 1920s analyzing, among other things, price and interest rate movements. He noted that the Western world had experienced consistent long-run business cycles dating back to the end of the Eighteenth Century—when pertinent economic data was first recorded. In the U.S., the data indicated the long cycles were about 50 years from peak to peak.

Based on his analyses, Prof. Kondratieff predicted the U.S. economy would undergo a significant depression beginning in the late 1920s. His predictions went unheeded. In fact, as they implied that the downturns were cyclical—hence, ultimately self-correcting—he was at odds with the

communists, who felt a downturn was the first stage in the inevitable decline of capitalism.

He was purged for "running-dog revisionism." Myth has it that news of Wall Street's Black Thursday stock market crash reached Moscow as he was trundled aboard the night train to Siberia.

Since then, Prof. Kondratieff has stirred little interest. Modern mathematical models, econometrics, the computer, Keynesian economics, etc., have laid to rest the ogres of the business cycle.

The great debates and discussions among such economists as Joseph Schumpeter, Joseph Kitchin and Clement Juglar which laid the groundwork for modern business cycle theory have been rendered obsolete. After all, some say, the U.S. has experienced the longest economic expansion in recorded history. Our postwar economy proves that an enlightened mixture of post-Keynesian fiscal and monetary policies does indeed ensure unretarded, "finely tuned" economic expansion. However, Prof. Kondratieff would have predicted that expansion!

Perhaps his theory can shed some light on the current economic situation and its direction.

What is the "Kondratieff cycle," its economic and political meaning?

No less an authority than a hoary National Bureau of Economic Research tome, "Measuring Business Cycles," outlines movements in wholesale prices in the U.S., Britain, Germany and France from 1790 to 1940. The price movements in that chart for the U.S. coincide with levels of business activity and reveal the Kondratieff cycle. The first peak occurs in 1814 followed by a second peak in 1864, 50 years later. Another occurs in 1920, 56 years later. If we grant a certain academic free rein and average the spans between peaks, we obtain 53. Coincidentally, 1973—a year which did not see a price peak but was one of high economic activity—was 53 years after 1920.

Likewise, the troughs reoccur roughly 50 years from one another, except for 1933-1939. That period is inconclusive since many economists claim the depression was deepening then and may have extended into the 1940s, thereby completing the usual 50-year cycle. World War II introduced what economists like to call an "exogenous disturbance" into the system and through the war the U.S. economy was wrenched out of the doldrums.

The booms of 1864, 1920 and 1973 are strikingly similar. (Less is known about 1814, but the period was marked by different factors.) Output expanded and prices rose, reflecting real scarcities. Labor was almost fully employed. Continued prosperity, ever-higher production and productivity and continued inflation were expected.

Similarly, the troughs in 1843, 1896 and the 1930s reflected extreme economic hardship. Not only did prices plummet but economic activity sharply declined.

Many other economic and socio-economic variables also appear to exhibit a rough 50-year cycle—including interest rates and crime rates. A thorough juxtaposition of the peaks and troughs could indicate the underlying reasons for the cycles—and help policymakers deal better with the future.

All the peaks corresponded closely with wars (War of 1812, Civil War, World War I) which—like the Viet Nam War—occurred at the end of long economic expansion. Of course,

This Month's Guest Economist *continued*

there have been other wars, but not in the same relationship to the Kondratieff wave. The wars themselves helped fuel expansion by adding inflationary pressures to the already-expanding prosperity.

Further, the general prosperity was accompanied by rising expectations that far outstripped the economy's ability to satisfy them. This led to inflationary pressures—both economic and social. In the 1850s-1860s, rising prosperity was accompanied by demands for racial equality. In the 1910-1920s, rising social expectations concerned women's rights.

In the 1960s both racial and sexual equality were demanded.

Although the cycle must be based upon technological factors, the federal government's usual response has helped contribute to the economic upsets. Restraint (fiscal and social) typically has been the response to periods of both economic and social pressures. "The return-to-normalcy" theme has consistently re-emerged in American national politics at the same points in the 50-year cycle.

The decades preceding the Kon-

dratieff peaks are characterized by years of federal budget deficits which helped fuel the expansionary peaks. Likewise, the federal surpluses following the inflationary peaks helped create the downturns. Such "fiscal responsibility" has, in the past three Kondratieff peaks, been associated with downturns that led to depressions.

Certainly the surpluses alone do not cause the downturn; one should look to more Schumpeterian technological forces. But they cannot be ignored. It is interesting to note that current discussion in Washington has the cyclically familiar fiscal responsibility ring.

Further, even government scandals appear to be cyclical. Grant's Administration introduced widespread scandal to American national politics, followed about 50 years later by Teapot Dome and the Harding Administration.

About 50 years later we have Watergate. Has lack of leadership at the most important time in the cycle helped contribute to the severity of subsequent downturns?

Other similarities? A liberal federalist (Madison 1808-1816, Lincoln-Andrew Johnson 1860-1868, Wilson 1912-1920) has been President during each of the first three "peak wars." Each presided during tumultuous periods of economic expansion and political activism characteristic of these peaks. They were followed by conservative Presidents (Monroe 1816-1820, Grant 1868-1876, Harding-Coolidge 1920-1928) who preached the return to sanity, both economic and social. The economy did cool off—then went into a downspin.

The recent "peak war," if that is what it was, fits the pattern. Presidents Kennedy and Lyndon Johnson were both liberal and strongly federalist. Both were in office during a tumultuous period of prosperity. Following that, it was perfectly natural that the country wanted to return to conservative normalcy. However, the last three major depressions in our history (1830-50, 1880-1900, 1929-1939) began that way.

Based on all this, we can draw one of two conclusions: Either the U.S. economy reached a long-run cyclical peak around 1973, and we can expect chaos and depression; or the patterns of history are interesting but rather academic and irrelevant.

Certainly causal relationships are not fully understood. Economists would question the validity of using 150 years of statistics based upon changing definitions. They would also desire more rigorous relationships between real technological factors and the cyclical movements. And movements in the federal budget may contribute to, but not primarily cause, the Kondratieff cycle. In some cases, in fact, they are purely a response.

These objections are real. However, the fact that there is no simple answer does not mean history should be ignored.

The overparaphrased paraphrase is relevant: Those who do not know history are doomed to repeat it.

The cyclical similarities in our economic and social history are astounding. Out-of-hand dismissal of the Kondratieff cycle could be unwise. Fortunately, it is still possible in this country to discuss such things without being purged.

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OMB Director Roy Ash (right), and key aides Paul H. O'Neill (left) and Frederic V. Malek, in the ornate old Executive Office Building with all federal budgets since fiscal 1923, the year one agency became the sole coordinating authority for a President's spending proposals.

all photos under Roy Ash in jumbo file

Mapping Out Washington's "Money March"

Before Executive branch officials go to Congress in their annual quest for billions, their programs have been gone over with a fine-tooth comb at the Office of Management and Budget



PHOTOS: YOUNG ORAMOTO

On almost any given day, from February to summer, there is a ritual in Washington. From the vast architectural jungle that houses the federal government's Executive branch, scores of Cabinet officers, deputies, counsels, statisticians and personal assistants stream toward Capitol Hill in limousines, taxis and 12-passenger agency buses.

To the irreverent, this is the "money march": Key officials trooping up Pennsylvania and Independence Avenues to appear before assorted House and Senate committees in a quest for the billions of dollars they say will be needed to run the government.

In appearance and style, such officials may change from year to year or Administration to Administration, but there are samenesses, too.

The bulging briefcases they carry

hold voluminous "brain books," tabbed and indexed looseleaf binders containing an incredible amount of backup material for a rather remarkable document that is in the briefcases, too—the Budget of the United States.

And the officials are bracing themselves for resounding Congressional oratory. Controversy over the budget is as much a Washington institution as is the perennial wringing of hands over whether the Japanese cherry trees will bloom in time for the Cherry Blossom Festival.

The "money march," the committee hearings and subsequent votes, and the thundering about the way the government will spend its taxpayers' bucks are scenes in the last act of an economic drama on which the curtain was raised months earlier. How it ends can depend on whether

Congress or the President is stronger politically with the public, and the importance of the outcome to the nation is tremendous.

But to the men and women most responsible for preparing the budget, the movement to Congress for a final decision is like an epilogue. They are already engaged in drawing up another budget, one that will result in another "money march" months later.

Budgets have been coordinated for Presidents for more than half a century by highly skilled professionals working for a small agency which has had one name change and one large expansion of function.

Before 1921, each independent federal agency and Department went directly to Congress for funds. Only occasionally, as a courtesy, did they let the President know what they were asking. World War I's increased

May 1974 8.5-74



Spending wisely is a recurrent theme at OMB, where staffers gather to thrash out differences and then do more

Mapping Out Washington's "Money March" *continued*

spending moved Congress to create the Bureau of the Budget, which it assigned to the Treasury Department. (To give the Legislative branch an expenditure-watching agency of its own, Congress at the same time created the General Accounting Office.)

President Franklin D. Roosevelt decided he needed a budget staff responsive to his office and in 1939, when federal spending reached \$8.8 billion (less than what the Agriculture Department alone wants for next year), Congress created the Executive Office of the President. The Bureau of the Budget was the first agency moved into it.

As the Presidency's power increased in succeeding years, so too did the power of the Budget Bureau. But while the increase in the Chief Executive's clout was consistently criticized, there was almost no criticism of the comparatively tiny band of budget-preparers (660 persons including secretaries, currently) until the agency became the Office of Management and Budget in 1970, with the enlargement of role that the enlargement of name implies.

A 30-month cycle

The preparation, approval and execution of any budget covers overall a span of 30 months. Work began in January, 1973, on the budget for fis-

cal year 1975, which started this July 1.

By June, 1973, ceilings for all Departments and agencies had been roughly fixed and by December the proposed budget was finalized. It was submitted last January to Congress, which will approve it piecemeal, in as yet unknown form, sometime in 1974. When the fiscal year ends June 30, 1975, each agency and Department will have received the funds (OMB usually allocates them in quarterly instalments) to run the thousands of federal programs. The cycle will be complete.

The cycle begins when a President digests a set of assumptions about what the general economy will be like 18 months later, and balances these against what he has in mind for the nation in the way of programs—and spending. The assumptions are made primarily by the "Troika," the heads of Treasury, OMB and the Council of Economic Advisers. Their forecasts of the state of the economy's health have a direct bearing on expectations of revenues—whether surplus or deficit is indicated. An unanticipated event such as the Arab oil embargo can tear these assumptions asunder.

But once they are made, Presidential guidelines are given to OMB, and the preparation of the budget begins. All budget items work up-

ward to OMB's director through a series of levels in four sections at OMB.

The sections: National Security and International Affairs; Economics and Government; Natural Resources, Energy and Science; and Human and Community Affairs. The levels: examiner, division chief, and associate director.

Harry Havens is a branch chief for examiners handling income maintenance programs in one of three divisions of OMB's Human and Community Affairs section. He's concerned with Social Security, welfare, food stamps, and social rehabilitation—programs to cope with such problems as poverty, and loss of income due to disability or death of the wage earner. Eighty billion dollars worth of services affecting millions. He is 38, a graduate of Duke University in economics, a Rhodes Scholar, a Ph.D., a Navy veteran. He has been with the budget office for 10 years and has a staff of seven.

What does an examiner do? How does he do it?

"Well, he doesn't sit on a stool with a ledger and an adding machine," says Mr. Havens. "I suppose you'd say you spend the first couple months of a year taking a look at how you did last year. And at how it looks this year—did the projections hold up? This is kind of a back-of-



homework in the preparation of that awesome volume, the U.S. budget.

the-envelope, in-house study. Then the agencies and Departments start coming in with what they are going to need for their various programs. A tremendous amount of information is collected here before the spring review of all these anticipated needs. You look at each program, how it's been going. And you look at what's being requested. You do all this with one thought in mind: How does it all fit in with the President's policy?

"Budget is part of the President's office. My responsibility as an examiner is to do the very best in my power to present the information about programs within my scope and analyze it for the people who will make the decisions."

The information collected comes from within government and without.

"All sorts of people send us material," says another OMB staffer. "Academics, professionals, businessmen, authors. They want us to be aware of the latest developments in any given field. After all, everything we are connected with affects some field—or somebody."

The rah-rah spirit

Mr. Havens is tall, quiet. He has the academic air that gently permeates OMB's offices in the Old Executive Office Building—that sprawling Nineteenth Century structure hard by the White House that once

housed the War, Navy and State Departments—and in the New Executive Office Building, a stone's throw away on 17th Street.

He also has a pride in the professionalism that is the key to the high regard in which the OMB staff is held, and in the staff's collegiate-type rah-rah spirit. Of the 426 professionals (72 of them women) on the staff, the average age is 37, and 228 hold a master's degree and 37 a Ph.D. They have averaged 12 years in government, six in budget work.

When an examiner has absorbed himself in the whys of a program, has studied the agency's justification for funds, has gone out—in many instances—to see how a program operates (How do you provide this day care? What's the physical procedure for food stamp delivery?) he prepares a concise evaluation. This lists all the assumptions (if demographics show your population is aging, you know your Social Security payments are going to rise) as to where the program might go. The backup information material grows in enormous quantities and the ability to write a clear, incisive, brief program review is a must.

"Another part of my job," says Mr. Havens, "is interpreting answers to a question as they develop. This makes it an ongoing process. Something that happens today can

have a big effect on some program within my scope tomorrow."

An example might be a tragedy such as the series of tornadoes which devastated areas of the Midwest early this spring, depriving thousands of their homes—and their jobs, too, when factories were smashed. Emergency relief to people like these might well include food stamps or temporary welfare payments. This unexpected surge in need could cause the Departments of Agriculture (which administers food stamps) and Health, Education and Welfare to ask for supplemental appropriations. Such a request would have to come through OMB.

When the paperwork from the first level of the budgetary process—raw material which one OMB official terms "a stream of consciousness"—reaches the second level, division, decision-making starts.

Chief of Mr. Havens' division is C. William Fischer, 42, who joined OMB in 1957, when he was 25, as a junior examiner—his first assignment was that year's \$50 million Atomic Energy Commission budget. Over the 17 years since then (with one out for a master's degree in economics and government at Harvard under a joint Civil Service Commission-Ford Foundation program), he has had as broad a range of experience as anyone on OMB's staff. It

Haven



Director Ash came to OMB from Litton Industries.



OMB uses offices of the old War Department, as doorknobs show.

Haven

Mapping Out Washington's "Money March" *continued*

has included examination of budgeting for the Defense Department and the Central Intelligence Agency. (Although you will not find a dollar figure assigned to CIA in the overall budget, it does have one and its programs are reviewed as are those of any other agency. Its funds are discreetly hidden from public view by inclusion among amounts allocated to certain other branches of government. Select, senior Congressmen on oversight and appropriations committees know how much CIA spends, of course).

The programs Mr. Fischer's present division goes over range from free lunches for schoolchildren to grants to artists by the National Foundation on the Arts and the Humanities.

How great is the need?

An outgoing, articulate University of Michigan law school dropout (OMB recruiters had a compelling spiel), Mr. Fischer says that at his level one basic question is asked about any program: How great is the need for it?

OMB determination of the extent of need for two politically popular programs—Public Health Service operation of some hospitals, and provision of federal money (the so-called Hill-Burton funds) to help finance construction of others—led President

Nixon last year to push for their abolition. Congress refused to go along and the proposals generated as much political agitation as anything that has come out of OMB in years.

These proposals are stoutly defended at OMB.

"I made the same basic recommendation about the PHS hospitals back in 1967 when I first joined the Budget Bureau," says OMB's Associate Director for Human and Community Affairs Paul H. O'Neill.

"I put it this way: 'Hey, you have a handful of hospitals here only serving a limited, relatively affluent constituency [merchant marine sailors]. One of these days you're going to have to consider whether there isn't a more efficient, cheaper way to dispense this service.'

"This was flagged every year from then on, by somebody. Finally, looking at need and the desire to better utilize the available funds, the decision was made to close the hospitals, even though the President knew it wasn't going to be politically popular.

"The same thing was true on Hill-Burton. Hospitals have been built under this program for more than 20 years. You have an abundance of them. The facts showed it just wasn't in the overall interest to keep on with this construction when you had a need for so many other things."

Mr. Fischer, one of three division chiefs under Mr. O'Neill, has 28 professionals in his section. Before he moves anything up to the next level, he and his staff try to examine every option.

"You know the President's policy," he says. "You know the totals you're trying to work within. When you're dealing with one that goes to meeting an essential need, you have to know if it is really doing that."

Up to the "distiller"

When the paperwork initially generated by Mr. Havens, with its mountains of alternatives and fact sheets, moves again, it is to Associate Director O'Neill.

Mr. O'Neill, 38, thinks of himself as a "distiller," one who takes an inordinate amount of information and boils it down to simple, primary facts on which decisions can be made by the director of OMB and by the President. (In fact, he does more. His evaluation of what a program's proper dollar figure should be is what OMB finally comes out with in most instances. The sheer volume of programs within the director's purview makes anything else impractical.)

Also, he says, "I suppose one of my major tasks is to avoid unnecessary confrontations. Better here than over there in the Oval Office."

He means that battles between



Deputy Director Malek runs day-to-day OMB operations.



Harold F. Eberle directs Congressional relations.

OMB and agencies and Departments over the dollar figures should be settled, if possible, without that final step, appeal to the President.

By and large, Mr. O'Neill and the others do their work with a passion for anonymity. While the key OMB staff's enormous influence has long been recognized within the federal bureaucracy, it is little-known to the general public.

A magazine not long ago called Mr. O'Neill the "fourth most powerful man in government" in tribute to his role in helping to fashion the switch from specialized housing assistance programs to a cash allowance for needy families, and in the White House release of more than \$1 billion in impounded educational funds. This not only embarrassed Mr. O'Neill to blushes, but it irritated him because, he says, "I certainly am not."

Born in St. Louis, he "lived all over" as the son of an Army master sergeant. He switched from engineering to economics in college because "economics is where you ask the why questions."

Since coming to Washington with the Veterans Administration he has been storing up an enormous amount of knowledge about the hundreds of programs in a score of Departments and agencies. It is this familiarity with what programs do and are sup-

posed to do that makes any veteran budget staffer such an influential person. He retains a continuity of knowledge that changing Cabinet officers and their key staff members can't possibly have.

His own level in the preparation of the budget, Mr. O'Neill says, is "where the inputs from the agencies and examiners come together."

Like the Caine court-martial

This "coming together" is the next-to-last move in the budget preparation and follows two rituals: the spring and fall reviews.

In the spring review, OMB goes over the general economic outlook. Then comes a consultation with the President by OMB's director, his deputy and key staffers, at which the first goals are set within the context of what the President wants in his next budget. Afterward, each Department and agency is told what its spending "ceiling" will be so it can reshape plans and prepare a money request to submit for the fall review.

It is in this fall review that agencies make their formal pleas to OMB to justify their requests for funding for the ensuing fiscal year.

"I wouldn't exactly call it a scene out of the 'Caine Mutiny' court-martial," says a former budget officer for a Department. "But it has some of the elements. It is very, very formal.

"Here you are, with your top people and 10 or 12 staff assistants. You all line up on one side, with OMB on the other side, and you go through your budget—justifying, arguing, maybe even wheedling.

"Some agency budget people develop a pretty good acting style. I once had a secretary who proposed we give ourselves an Oscar.

"You also hope for clues as to how it's going over. Anybody who's ever been through one of those fall review sessions has tried reading 'body English,' faces, you name it. The trouble is that those guys in OMB know exactly what you're trying to do and they all have one face: poker. You just never know what kind of impression you're making."

When the fall review is completed, the proposed budget goes to OMB's director for still another review. He, aided by his top staff, sets the final numbers that will go to the President for the ultimate decision. If a Cabinet officer feels strongly enough that he has been shortchanged, he can appeal directly to the President. Before Congress got the budget it is now debating, some 50 issues were taken directly to President Nixon.

Current director of OMB is Roy L. Ash, the former president of Litton Industries. He headed a government reorganization task force for Mr. Nixon that proposed, among

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David P. Taylor is in charge of labor relations and executive development.



Associate Director O'Neill oversees the Human and Community Affairs section.



Dale R. McOmber is assistant director for budget review.

Mapping Out Washington's "Money March" *continued*

other things, reshaping the Budget Bureau into the Office of Management and Budget with authority to check on whether managers of government agencies are meeting those agencies' objectives.

Mr. Ash concentrates primarily on economy-affecting matters such as the energy crisis. An assistant to the President as well as OMB director, his office is in the White House, close to the President's.

Running the show

Deputy director is Frederic V. Malek, and it is he who runs the day-to-day show at OMB and conducted the director's review for the fiscal '75 budget.

"I sat in on a lot of the final review sessions," says Mr. Ash, "but Fred handles the routine of the budget process. When we restructured the Bureau of the Budget, one of the things we wanted to do was give the director more time to concentrate on specific problems. This also gives me more time to work on the management role of OMB."

Mr. Malek, 37, is a lithe West Point graduate who first came to the Nixon Administration in 1969 as deputy undersecretary for HEW. His office, in the Old Executive Office Building, is one used by John J. Pershing when he was chief of staff as well as general of the armies—the

only man ever to hold the latter title.

"Sure, you stew about some of the decisions you make," Mr. Malek says. "Every one of these programs affects somebody. But they all have to be coordinated toward one goal: following the President's policy."

For his review, Mr. Malek had two big looseleaf binders covering each agency and Department. One contained budget proposals and recommendations and the other backup material (if more was needed, it was available by the pound). In an executive scrawl—hard to read—he would approve, lower or raise a number.

"I kicked one up pretty good on the alcohol and drug abuse program," he says with a grin. "I thought demonstration projects on alcoholism in industry deserved more bucks than the staff did. After all, industry is the one hurting most from this problem. And I like the idea of demonstration projects."

Once the director's review is completed, the budget goes to the President.

"He knows whether you've carried out what he wanted with the numbers," says Mr. Malek. "And if you haven't, he'll change it."

OMB does much more than prepare the budget and oversee government management. Among other things, it reviews and advises the

President on all legislation initiated within the Executive branch; issues ground rules to promote efficiency and uniformity throughout government (it manages interagency committees, sets user fees for government property, etc.); approves most reporting forms issued by the government (the gamekeeper, so to speak of the paperwork jungle); and sets the definitions for Standard Metropolitan Statistical Areas (a prime tool for business in assessing markets).

It also keeps track of "backdoor spending," outlays which do not require yearly Congressional approval. Now adding up to some \$15 billion a year, this spending includes vast amounts for borrowing programs of the Federal National Mortgage Association, Export-Import Bank, Postal Service Fund, Rural Electrification Administration and Rural Telephone Bank, among others.

The "threshing room floor"

Another important aspect is the OMB legislative division's review of all proposed testimony to Congress by officials of Departments and agencies.

"OMB doesn't censor anything," says Mr. Fischer, who once served in the legislative division—the "threshing room floor," he calls it. "But since programs frequently cross lines, we want to make sure that the testi-

mony conforms with Presidential policy. Somebody has to say: 'Hey, let's everybody get together on what policy really is.'

"You know, there are some basic conflicts between Departments. For example, Commerce has the responsibility to protect a limited monopoly through the patent system. Justice fights monopoly under antitrust. Everybody is jealous of his prerogatives."

The process of putting the budget together might be expected to be rather sterile. It isn't. There is conflict between agencies that think they should get more and OMB officials who think they shouldn't. There is long discussion, as the budget staff itself tries to wrestle with the underlying philosophies behind each item.

The chief value of OMB, to many who work in it, is that it is the one agency which has an overview of all of government.

"We're the funnel through which ideas and programs go to the President," says Mr. O'Neill. "But I really believe the great role of OMB is to use its institutional memory. How programs have worked. What has gone before."

"It would be impossible for a new President to take office on Jan. 20 and start with a blank slate. There are too many ongoing programs and too much of the nation is built into these programs."

So much of this ongoing government is open-end law (such as Social Security, veterans' benefits, etc.) that 74 per cent of the Administration's proposed \$305.4 billion budget for fiscal '75 is in "uncontrollables," programs which must be financed continually with little or no significant control either by Congress (which enacted the laws creating them) or a President.

These open-end programs are the fastest growing aspect of federal budgets. So much so that while Congress is debating this \$305.4 billion budget (the first to top \$300 billion, it was raised \$1 billion by the Administration four months after its submission to Congress; since then, the President has said he hopes spending can be held below the budget figure) OMB projects that the one it is now working on, for fiscal

'76, will total \$329 billion. That's even if no new programs are added. The increase will result just from growth of ongoing ones.

(An assessment by the Tax Foundation should improve public perspective on the impact of spending of this magnitude. It says the currently proposed budget would impose a tax burden averaging out to something like \$4,026 for each of the nation's households.)

Management by objective

It is because of this trend that Mr. Malek believes the M is the most important part of OMB.

"The budget should only be a tool for the really important job of managing government," he contends.

"I believe in management by objective. You get each Department or agency to say what its most impor-

tant four or five objectives are and you keep check to make sure they're meeting those objectives.

"In private business you know you're meeting your objectives because you have a profit-and-loss sheet that tells you. In government, you don't have this. But you do have programs with objectives and the whole idea is to reach those goals."

Critics of OMB have complained that once the M became part of its initials it acquired a tendency to become too involved in how a program is operated.

"That simply isn't true," contends Mr. Malek (though some former budget staffers think it is, to some degree).

"We're not going to tell the Secretary of HEW how to run a hospital. 'Cap' [Caspar] Weinberger and his people know more about that than

CONGRESS PUTS IT ALL TOGETHER

It took 172 years (with the exception of one year during World War II) for the U.S. government's budget to reach the \$100 billion level. That was in fiscal year 1961. In only nine more years, the budget topped \$200 billion. And now, just five years later, it's hit \$300 billion.

This explosive growth of federal spending was a major factor in the recent passage of the Congressional Budget and Impoundment Control Act, widely hailed on Capitol Hill as one of the most significant laws of the century. [See "At Last, Congress Moves Toward Budget Reform," *Nation's Business*, April, 1974.]

The basic reform: Congress will consider the federal budget as a whole within the framework of total revenues available. At present, more than a dozen separate appropriations bills go through the legislative process on individual tracks, with no official action at any time on a total budget.

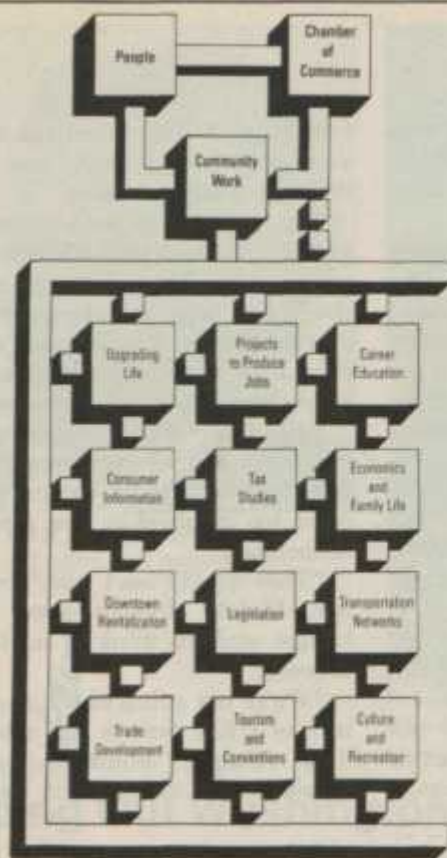
Principal responsibility for the new procedures will be delegated to newly established Budget Com-

mittees in the Senate and House. They will be assisted by another arrival on the Capitol Hill scene—the Congressional Budget Office, which is being set up to give Congress the same high-level fiscal expertise the Executive branch gets from the Office of Management and Budget.

The budget reform law changes the federal fiscal year, beginning with the 1976-77 budget, which will cover the period Oct. 1, 1976 to Sept. 30, 1977. The fiscal year now runs from July 1 to June 30.

Congress will put the new procedures into effect when it receives, early in 1976, the proposed Presidential budget for the 1976-77 fiscal year.

The budget law also contains anti-impoundment provisions under which Congress could force the President to spend money it has appropriated, and procedures for tighter controls on "backdoor spending"—spending for long-term programs which has been outside the normal, annual appropriations process.



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Hello Goodtown

Washington's "MoneyMarch" *continued*

we do. But we are going to ask a Cabinet officer to list the four or five most important objectives of his Department and we're going to follow up to make sure these don't get bogged down in detail."

To help accomplish this, each OMB associate director has been given a management division. The aim, as Mr. Malek puts it, is to get the "middle manager in government who is on the firing line every day to start thinking about what he is trying to accomplish for the American public. He is the one who must reach the conclusion that there is a better way to approach his job and serve the public. This is the only way we can make a lasting contribution."

For nearly two years, Mr. Malek, formerly board chairman of the Triangle Corp. in Orangeburg, S.C., was on the White House staff as a special assistant to the President for personnel.

In this job, he developed a reputation as a rather hard-nosed critic of the bureaucracy.

"If that's true," says one old-time OMB hand, "he's mellowed around here."

Crossword crackerjacks

It would be hard not to mellow at OMB. Its bookish, cluttered offices have an aura of informality as well as of braininess. (One former secretary says her most vivid memory of the agency is that in an office with three other people she was the only one who ever had to look in the back of a crossword puzzle book for the answers.)

Almost any of OMB's professionals could make more money (the average salary is \$20,000 a year) in private business. While some do leave, it is mostly to stay within government (sometimes an examiner will come to believe so much in a program that he prefers to become an advocate for it, and moves over to its agency). Overall, the turnover has been far lower than in most of government. Why?

"The magic of the place is responsibility," says Mr. Fischer.

Says Mr. O'Neill: "This is where the action is. Where else are you going to find it on this scale?"

—WILBUR MARTIN



Another Alaska Pipeline—and Another

There's a huge amount of natural gas in the frozen North, and huge projects are planned to bring it out.

Americans developed the high art of transporting gas and oil over long distances because the vastness of their geography demanded it. And their pipelines are acknowledged to be the world's best and safest.

Now Americans want to surpass themselves by laying the longest and, most technically advanced, natural gas line in history—going from Prudhoe Bay on Alaska's North Slope across the face of Canada, and then splitting into spurs to Pittsburgh, San Francisco, Los Angeles and into Utah.

Dimensions of the undertaking are breathtaking. Costs: \$8.5 billion at least, the money to be raised through bond issues. Length: About 5,600 miles. Size: 48-inch diameter. Load to be carried: 4.5 billion cubic feet of gas daily. Fields to be tapped: Several in Alaska and Canada holding

up to 600 trillion cubic feet, an amount equal to 25 or more years' gas supply for both Canada and the U.S. People to be served: About 125 million Americans, and about 10 million Canadians.

Twenty-seven American and Canadian companies have formed a consortium to construct and operate the line. Construction schedule: To be finished in 1979, if all goes well, but more likely in 1980 or 1981.

Those are the key words—"If all goes well."

With the memory of years-long delay in getting approval for the Alaskan oil pipeline fresh in the minds of oil and gas men, no one predicts definitely when the line will be in operation. But, now that consequences of the energy crisis have downgraded many environmental considerations, the line may be approved for con-

Another Alaska Pipeline—and Another *continued*

struction within 18 months. Pipe laying could begin in 1976.

America's need for gas is so acute that an additional \$3.5 billion, 42-inch diameter line may be laid from Prudhoe Bay across Alaska, paralleling the oil line. This gas line would cover 800 miles and deliver two billion cubic feet per day to a liquefied gas plant on Alaska's south coast. After liquefying, gas would be put aboard six, 125,000-cubic-meter LNG (liquefied natural gas) cryogenic tankers and transported to a regasification plant on the U.S. West Coast.

Trans-Alaska and Arctic lines

A project of El Paso Natural Gas Co., the Trans-Alaska gas line would have the advantages of being much shorter than the Canadian-American line and quicker to build, and it would traverse only American territory. Disadvantages would be the expensive requirement to liquefy and later regasify, the tanker journey from Alaska to the West Coast and the fact that the line's route would be a formidable one, over the high Brooks Range.

The Canadian-American line, also known as the Arctic line, would be built by the Alaskan Arctic Gas Pipeline Co. and Canadian Arctic Gas Pipeline Ltd. from Prudhoe Bay to Canada's border with the lower 48 United States. There, three other American transmission systems would take over. They are the Northern Border Pipeline Co., a consortium of gas companies now forming ranks and operating from bases in Kansas City, Mo., and Washington, D.C.; Interstate Transmission Associates of San Diego, Calif., and Salt Lake City, Utah; and the Pacific Gas & Electric Pipeline Co. of San Francisco.

Both lines would outclass pipelines proposed by the Soviet Union for Siberia—lines the Soviets have been trying to get Americans to build.

The Arctic line, conceived seven years ago, would be built with about 80 per cent American money and 20 per cent Canadian. Already, \$50 million has been spent solving technical problems, studying effects on the environment, and building and operating large test stations at Prudhoe

Bay in Alaska, and Sans Sault, Norman Wells and Nordegg in Canada. Expertise to lay the line through 195 miles of Alaskan tundra and 2,400 miles of Canadian wilderness is on hand.

Skirting north of the Brooks Range, after picking up gas at Prudhoe, the line would cross into Canada. There, it would parallel the coast and gather up Canadian gas piped down from frozen islands in the Beaufort Sea and along the coast. Then it would strike south, going down the Mackenzie River Valley, a wild, cold, desolate area unbelievably rich in minerals. The line would pass beneath the fertile land of Alberta and then cross into the United States.

For the first 1,000 miles it would lie beneath permafrost, a permanently frozen subsurface layer of earth (the surface thaws in summer months). This is caribou country, lonely and remote, where only a few Eskimos, Indians and rugged settlers live.

The route would not pass over any large mountain ranges and there are no earthquake fault lines as there are on the Trans-Alaska route.

An untapped bonanza?

Huge quantities of gas lie trapped between the Alaskan and Canadian tundra, but no one has a clear idea of how huge they are because the four-year construction holdup on the Alaskan oil line discouraged exploration. Only now are drills chewing lustily again in exploration. Although hundreds of trillions of cubic feet of gas are believed to be near the pipeline route, only 26 trillion cubic feet are proven to be there. One pipeline could bring that out economically. However, in the next two years there is a likelihood of finding infinitely more gas. This would necessitate another pipeline.

The Arctic line would be refrigerated throughout the northern areas—despite the sub-zero outside temperature—so that friction would not heat the pipes and melt the permafrost, thus destroying the ecosystem. The line would be underground all the way to American destinations, except at river crossings and compressor stations. About 150 rivers would be traversed.

Canadian members of the consortium would take off their portion of the gas on the way south and send it by supplemental lines as far east as Toronto. The line would divide near Calgary. The western leg would then cross the Canadian border into Idaho, then divide with one leg going to San Francisco and the other to Los Angeles. Washington State and Oregon would also be served. The eastern leg would cross into Montana and swing through North and South Dakota, Minnesota, Iowa, Illinois, Indiana, Ohio, West Virginia and Pennsylvania.

Several existing lines would be connected to take off gas.

Backers for both lines

Politically, the Arctic and Trans-Alaska lines have strong backing. U.S. Senators and Representatives are lining up behind one or the other, while many favor both lines.

An unwritten story of the fight for the Alaskan oil line was that Middle Western and Eastern legislators unofficially agreed to back it with the understanding that a trans-Canada gas line would be built soon to deliver to their areas. The Trans-Alaska gas line, of course, is heavily supported by legislators from the West Coast.

Since the Arctic line would carry through a foreign country, a treaty with Canada would be needed. High officials on both sides of the border have indicated favor.

Donald S. MacDonald, Canadian Minister of Energy, Mines and Resources, cites the Arctic line "as an area for cooperation" and adds that as a "basis for such pipeline connections, we have proposed that our two countries should enter into a treaty or other international arrangements on a reciprocal basis, so as to guarantee the continued economic use of pipeline rights-of-way across each other's territory."

An oil pipeline serving eastern Canada already runs across Maine.

Promoters of the Arctic line say it would be the largest private construction project in history. That may be an exaggeration, but there is no doubt it would be one of the most ambitious construction jobs ever undertaken on a private enterprise basis. **END**

Plugging Those Hidden Profit Leaks

A lot of company money goes down the drain in ways that don't meet the eye—or the standards of knowledgeable dollar-savers

This may not be the toughest economic era we've ever been through, but it certainly ranks among the most uncertain. It's a period of ups and downs, with some companies booming, others busting, and almost all of them highly doubtful about what tomorrow will bring.

It's the kind of era that makes the hard-nosed executive think in terms of cost reduction.

Traditionally, this turns the spotlight on such obvious items as payroll, inventory, purchasing and rejects. But what about the less obvious costs that eat into profits? Evidence shows that hidden costs exist in abundance even in well-managed companies.

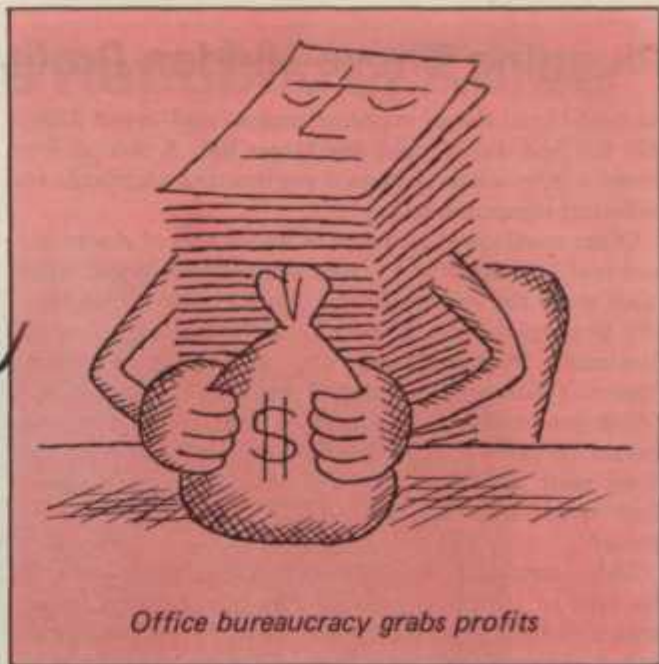
What should top management do to keep them to a minimum?

A significant generator of hidden costs, says James B. Webber, a director of Cambridge Research Institute, a Cambridge, Mass., management consulting firm, is "the inability or unwillingness of management to utilize signals or studies that forecast changing conditions." Another way of putting it, he adds, is "expensive hindsight." Some stiff fines paid for antipollution law violations, he says, might have been avoided "if planning skills had been properly applied to spot developing environmental trends."

Says Leonard J. Smith, a management consultant and executive director of Training Services, Inc., Rutherford, N.J.: "Too many managers believe they plan, but don't really do so. Proper planning includes forecasting, setting standards to ensure results and, finally, checking what actually occurs against predictions and projections."

He points to some firms' collection costs as a classic example of management failure to plan and monitor: "If your system calls for payments in 30 days and they come through in 45 or 60 days, you incur a hidden cost that doesn't show on the books."

Anticipation and planning don't just happen. They must be built into the system, to provide warning signals when a project, program or function veers off its course.



Long-standing management traditions, which originated for worthwhile purposes, often persist long after those purposes are served.

New York executive recruiter Bridgford Hunt of The Hunt Co. pegs "meetingitis—the unproductive use of executive time at meetings—as one of the biggest unseen profit drains."

A close runner-up, he adds, is the production of reports nobody reads. Not to mention reports people do read but which contribute nothing to profits. These may be more costly than unread reports when you consider the time wasted reading them.

Mr. Smith agrees. "In some companies," he says, "it is part of the bureaucracy to require managers to devote time to meetings, reports and other forms of communication—for the record, not for the results."

The matter of materials

Also devastatingly expensive, most experts agree, are hidden costs in the purchase and use of materials. Laurens van den Muyzenberg, international president of the Pittsburgh management consulting firm of H.B. Maynard & Co., says: "Budgets should be set up for tools, rags, gloves and helmets just as they are for raw materials used directly in manufacturing."

Value analysis, he suggests, is a good way to uncover hidden drains on profits. An auto-maker used chrome-plated vanadium wrenches for tightening bolts. The tools were expensive, an invitation to pilferers. By replacing the wrench with a simple piece of hole-punched metal, the company saved \$40,000 annually. Another \$30,000 was saved when cloth shields used to protect car surfaces while work was in progress were replaced by low-cost paper shields.

"Where raw materials themselves are concerned," observes management consultant Henry O. Golightly, president of New York-based Golightly & Co. International, Inc., "habit and tradition tend to inhibit change in buying and control practices, as they do in all other phases of management."

One company sniffing this area for leakage enlarged

Plugging Those Hidden Profit Leaks *continued*

its traditional list of supplier sources and saved \$200,000 the first day it used the larger list. A second firm saved a mint when it revised engineering standards for technical components.

Often overlooked is waste of water and of electricity and fuel (though there is less carelessness in the latter cases since the advent of the energy crisis). One remedy is suggested by Robert E. Levinson, president of Steelcraft Manufacturing Co., in Cincinnati, Ohio. "Spend a Sunday afternoon in your plant," he advises. "With production shut down and machinery quiet, you should be able to calculate how much leakage exists. Read your meters at two o'clock and again at three. How much use was essential? How much was pure waste?"

Also commonly overlooked, Mr. Golightly says, is the area of contract services. Ask a contractor to cut costs and he'll most likely reply that it will mean cutting quality as well. Experience often proves this to be false, the consultant notes, or shows that standards were too high to begin with.

The worst profit leak?

In many companies maintenance is the worst profit leak, says Warren Lee, a principal in The Emerson Consultants, a Manhattan-based firm.

Inefficiency runs rampant, he claims—"At one refinery we recently checked, nonproductive time cost the company over a half-million dollars a year."

He adds: "Experience proves maintenance costs often can be cut 10 to 40 per cent. But to eliminate inefficiency you must spot where it lies."

Where does it lie? Mr. Lee cites some primary causes:

- Foremen who are slow assigning jobs in the morning.
- Vague and conflicting work orders.
- Failure to set proper priorities.
- Lack of coordination where more than one craft is involved in a job.
- Failure to provide the right parts and materials.

Mr. Lee produces figures to prove the high hidden cost of maintenance inefficiency. A nationwide survey of 35 large to medium-sized manufacturing plants by The Emerson Consultants shows: "Plant maintenance workers spend only 2.6 hours of every eight-hour day working productively. Putting that in dollars and cents, a company with 100 maintenance workers pays them \$807,500 a year for nonproductive time. That's two-thirds the total \$1.2 million payroll for these workers (based on \$6 an hour, including fringes and direct overhead)."

Poor personal performance

An industrial parts producer recently lost a substantial share of its market to a leading competitor. Reason: Its sales organization, headed by a doddering vice president, had been slipping. The president had been meaning to replace that executive, but couldn't face up to the task.



It's uncomfortable to deal with a subordinate who fails to produce, notes management consultant Robert H. Schaffer of Stamford, Conn., but it's even harder to remove him if need be. "Thus," he says, "businessmen continue living with aides who can't do the job, so hidden leaks multiply."

What's the most effective way to confront and eliminate inadequate performance?

"The aim is to track down the cause," Training Services' Mr. Smith says. "Inadequate performance generally stems from one of three conditions: 1. The individual may lack the ability to do the job properly. 2. He may be improperly motivated. 3. Or, though qualified and well motivated, he may lack the opportunity to be fully productive."

Top management's challenge, Mr. Smith says, is one of upgrading job capabilities, stimulating job interest and providing opportunity by throwing people job assignments which measure up to their potential.

Experience indicates that hidden costs hurt most where performance goals are nonexistent or vague. The surest way to minimize hidden costs is to set goals for all aspects of plant and office operation and to monitor results on a regular basis.

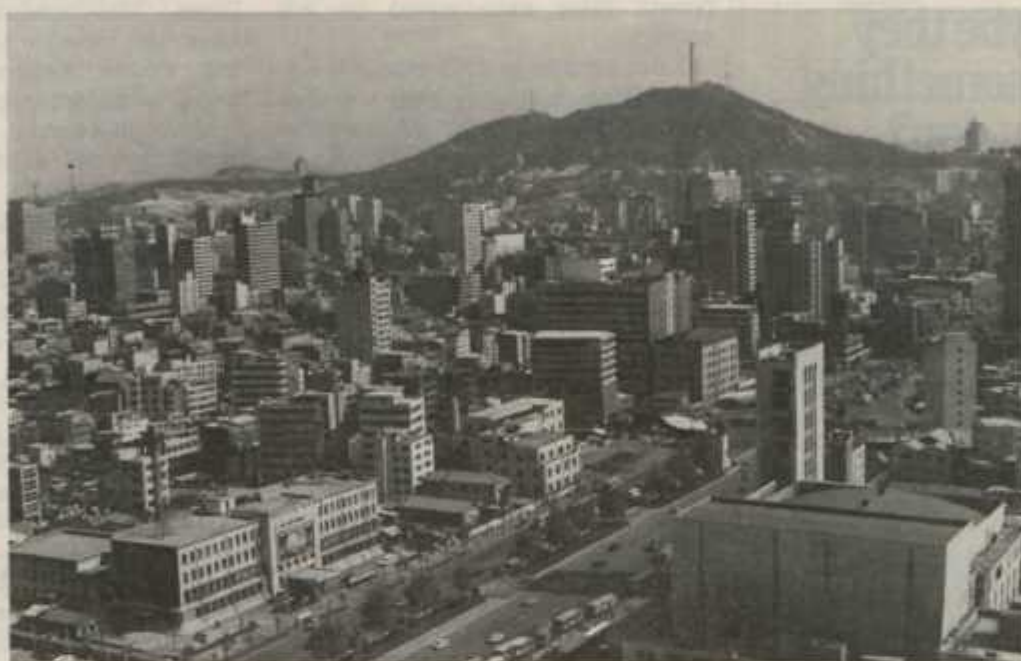
"Hidden forces that undermine profits are at work in every organization," Mr. Schaffer says. "The potential for saving is exciting. Your best bet is to establish tough, clear-cut performance objectives, and keep experimenting with new ways to make them jell and improve."

—RAYMOND DREYFACK

REPRINTS of "Plugging Those Hidden Profit Leaks" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

The Climate Abroad: The Republic of Korea

*in yimbo
under foreign*



Modern office and apartment buildings in Seoul, capital of South Korea, are dramatic evidence of that country's rapid economic growth.

The Republic of Korea has become one of the leading industrial nations in the developing world—no mean achievement for a land which has been independent for less than 30 years and which was devastated by war in the early 1950s.

South Korea, as it is commonly known, began its existence after World War II when the ancient country of Korea, which Japan had annexed in 1910, was freed and split into two nations, with communist North Korea getting more than half of the territory (although less than a third of the population).

Already drained of resources, South Korea suffered mightily when invaded by North Korea in 1950 but preserved its independence with the aid of American and other United Nations forces.

Evidence of that war's destruction was still widespread in 1960, when a

student-led revolt ousted an inept government. A year later, in a bloodless coup, a new government was established by army officers who saw a need for a well-organized, disciplined effort to put the nation back on its feet.

Since then, the Republic of Korea's lagging economy has been transformed into one of vibrant, rapid growth. The transformation has taken place with considerable help from the United States, and through hard work of the Korean people.

By 1972, two five-year plans had been successfully implemented. Annual growth of gross national product, in real terms, averaged better than 9 per cent during the 10-year period, and GNP reached \$7 billion in 1971. At the same time, annual per capita income rose from \$95 to \$252—not impressive by U.S. standards, perhaps, but nevertheless almost a 300 per cent increase in one decade.

This rapid expansion was supported by a similar rise in investments—

investments financed partly by an increase in domestic savings and partly by a steadily increasing inflow of foreign investments and loans. This flow of foreign funds accounted for more than 50 per cent of total investment requirements, reflecting its vital role in the development of the South Korean economy.

Although the two five-year plans brought unprecedented growth and provided the foundation for a self-sustained economy, the growth was accompanied by inflation and caused industrial and regional imbalances.

To eliminate these imbalances, a third five-year plan was launched for the years 1972-76. Its major objectives are development of heavy and chemical industries, improvement of South Korea's balance of payments, attainment of self-sufficiency in major food grains, and balanced regional development.

The first year of the current five-year plan was one of relatively little growth, but 1973 was exceptionally prosperous for the Republic of Korea

Prepared in cooperation with the American Chamber of Commerce in Korea.

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The Climate Abroad: Korea *continued*

despite serious inflation. GNP reached \$12 billion, a record one-year increase of 16.9 per cent in real terms—one of the highest growth rates experienced by any country.

Total exports in 1973 amounted to \$3.2 billion, a 98 per cent increase over the previous year. At the same time, due to rapidly rising prices of raw materials, including crude oil, imports totaled \$4.2 billion. Consequently, despite the remarkable increase in exports, the trade deficit widened from \$900 million in 1972 to \$1 billion in 1973. It is expected to widen further, since crude oil represents one fifth of Korea's total imports.

To cope with these pressures and others created by the energy crisis and the general shortage of raw materials, a long-range plan covering 1973 through 1981 has been superimposed on the current five-year plan.

The long-range plan proposes to maintain rapid economic growth and upgrade the general standard of living through promotion of heavy and chemical industries and development of farming and fishing communities.

It projects the annual real GNP growth rate at an average of 9 per cent for 1973 through 1976 and 11 per cent thereafter. If this is accomplished, GNP will reach \$18 billion in 1981, more than 2½ times the 1971 figure, and per capita income will rise to \$988.

The foreign capital requirement during the next decade is calculated at \$10 billion. The government foresees \$8.4 billion of this as coming from loans and \$1.6 billion from foreign direct investments.

If these projections are realized, the current chronic deficit in the balance of payments should be eliminated. By 1981, annual merchandise exports should increase to \$10.9 billion, while imports grow to \$10.2 billion.

Even with the modifications imposed by the energy crisis, growth plans are ambitious—some say unrealistic. However, if history is any indicator, the Republic of Korea will be successful in accomplishing its objectives and in this effort will provide interesting opportunities for foreign investment.

Companies that have already recognized these opportunities and are now operating in the country include Gulf Oil, Caltex, Fairchild, Corning Glass, Westinghouse, Swift, Dow Chemical, Houston Natural Gas, General Foods, Kimberly-Clark, Pfizer and Chase Manhattan Bank.

Major investment and market opportunities will exist in steel, shipbuilding, chemicals, petrochemicals, machinery, agriculture and fishing. Not to be overlooked, however, are continued opportunities in light industry such as electronics, textile machinery and food processing.

South Korea has an outstanding labor force, undoubtedly its greatest natural resource. Literacy exceeds 90 per cent, productivity is high and wages remain comparatively low. The average industrial wage is about \$75 a month.

The government is strongly committed to inducement of foreign investment. The Foreign Capital Inducement Law provides attractive incentives and is presently under a review aimed at creating an even better investment climate.

For foreign investors, communications can be difficult in South Korea, and customs and practices bewildering. Internationally experienced negotiators and managers must be dedicated if they are to succeed in hammering out fair deals and assuring the success of business operations.

The present regime, with its strong central nature, has been the subject of considerable criticism. But it has performed exceptionally well in fostering economic growth, improving the standard of living and protecting the nation from external threat.

There seems no prospect for change in the special relationship between the United States and Korea, which adds a measure of stability for the U.S. investor that is somewhat unique. The U.S. maintains 38,000 troops in the country to preserve commitments stemming from the Korean War, and there is a permanent demarcation zone between North Korea and the Republic of Korea.

Americans are welcome in South Korea and are urged to consider the business opportunities that exist there.

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business: a look ahead

BY GROVER HEIMAN
Associate Editor

Farmland: One Ample Resource

While supplies of some natural resources are running out or getting short, the Agriculture Department figures there is no great danger of a shortage of farmland, despite the conversion of thousands of acres to nonagricultural uses each year.

For domestic markets, the Department's Agricultural Research Service projects 292 million acres will be required in 1980 and 272 million by the year 2000.

This prediction of a 20-year drop is based on these factors: Expected increases in farm productivity, abundant water for potential agricultural land, and declining U.S. birth rates.

A projection that takes into account po-

tential export demand indicates much greater requirements—304 million acres by 1980 and 309 million by 2000.

No problem, though. The supply of suitable acreage is predicted to be between 340 and 350 million acres in 1980. Increases beyond this would come from accelerated land drainage and reclamation.

Last year, 318 million acres of U.S. land were used for raising crops, as against a typical 290 million in the late '60s and early '70s. The jump was due to increased export demand.

Some 2 per cent of the nation's land is now urbanized. About a fifth is cropland and over a third is used for grazing.

Blueprint Could Trigger Legislation on Energy Supplies

The U.S. may have a framework for a national energy policy by Nov. 1. That's the deadline Federal Energy Administration chief John C. Sawhill has set for getting Project Independence—the program for basic self-sufficiency in energy supplies—in "blueprint study" form.

While it's not likely to have full impact on the budget for fiscal year 1976, the blueprint could trigger legislative proposals.

Administrator Sawhill, in testimony before the Senate Commerce Committee, has indicated that possible legislation in the en-

ergy conservation area could lead, for example, to: A permanent 55-mile-an-hour national speed limit; incentives to spur energy efficiency in industry; authority for FEA to establish rate structure guidelines for state regulatory commissions; removal of regulatory barriers that encourage inefficient transportation systems; authority for FEA to work with the Federal Power Commission to set priorities for use of natural gas.

"Neither the desirability nor the specifics of legislation in these areas has been determined," he said.

Nuclear Shipping on the Horizon

Although the *Savannah*, the nation's first nuclear-powered commercial vessel, is now in mothballs, long-range Maritime Administration plans point toward a fleet of upward of 500 nuclear ships owned and operated by U.S. firms.

The first would be nuclear-powered tankers, 1,330-foot long, weighing 600,000 tons and drawing 95.6 feet when fully loaded with 4.7 million barrels of oil.

Safety aspects of the second-generation

power plants are being reviewed by the Atomic Energy Commission. Meanwhile, the Maritime Administration has been sounding out industry interest in building such vessels.

Most likely, the federal government will have to provide some seed money and offset some capital costs.

If the current timetable is met, the first of the giant tankers would be operating in about 10 years.

Civil Service With More of a Smile

Businessmen dealing with the federal government may come in contact with junior executives who are more productive and efficient—not to mention happier—in the future.

Starting in November, the Civil Service Commission will use a new entry-level exam for college graduates and others with suitable work experience who are vying for professional and administrative jobs.

The exam, a product of extensive research, will measure a wider range of abilities and should improve chances of getting the right person in the right spot.

Called PACE—Professional and Administrative Career Examination—the five-part

test replaces a two-part one in use for 19 years.

Says Civil Service Commission Chairman Robert E. Hampton: "We have reached the point where many changes have taken place in government occupations, and many advances have been made in the identification of abilities needed for successful job performance. It is time for these improvements to be reflected in a new examination procedure."

Unchanged are the present specialized exams in engineering, accounting, the sciences and some other fields, and separate exams for positions at grades above entry levels.

New Guidelines for Price Advertising

The Federal Trade Commission is about to adopt new guidelines indicating what it will consider deception in comparative price advertising. The guides, replacing those FTC has used since 1964, will affect manufacturers and retailers of all sizes.

Its objective, FTC says, is to "clarify" ads that list two amounts—a current asking price and another, higher, price such as "list" or "regular."

The commission emphasizes that "explicit identifying information should be disclosed when comparative pricing claims are used and the advertiser should not make such claims unless he can substantiate them."

FTC will take comments on the guidelines until Aug. 19, after which they will be finalized and become Commission "enforcement policies."

The guidelines are generally tougher than those in force for the past 10 years, FTC says. For example, more-or-less permanent signs in store windows proclaiming "sales"

at certain prices will be out the window. In the future the signs will have to indicate the duration of the sales at those prices.

Kept deliberately brief, the guidelines will be applied on the following principles:

"Since price is an important factor in consumer purchasing decisions, the advertiser who does more than state his asking price must tell the truth in such a way that it cannot be misunderstood. Truthful price advertising, offering real bargains, is a benefit to all, but the advertiser must shun sales 'gimmicks' which lure customers into a belief that they are getting a bargain when in fact they are not."

FTC stresses that the new guidelines, like the current ones, are indicators and not comprehensive rules and regulations. They are in essence a warning from the Commission about practices it believes constitute violations of the FTC Act. Commission action in a case of alleged deception would be to file a complaint and conduct a hearing.

All That Glitters Is Not Gold

Foreign banks doing business in this country may lose an advantage they have over local institutions.

Some U.S. bankers, however, fear a cure for the domestic banks' handicap that is being considered by the Federal Reserve Board may be worse than the malady.

Domestic commercial banks traditionally have been able to operate in only one state, with some minor exceptions. On the other hand, foreign banks, with individual state approval, have been able to open branches in more than one state.

Ten states, including three that have key financial centers—New York, California and Illinois—now permit establishment of branches by foreign banks. In all, foreign banks control less than 2 per cent of the

nation's deposits, but account for 14.5 per cent of all large-bank business loans, says Robert Johnston of the research department, Federal Reserve Bank of San Francisco.

The Fed, as a result of a study of foreign bank operations, has been drafting legislation that would remove the interstate advantages these banks enjoy, and—in the process—bring their U.S. operations under Federal Reserve control for monetary policy purposes.

But some bankers fear this would be an end-around-play that would lead the Fed to something it's sought for years—control of all banks in the U.S., including American banks now not in the Federal Reserve system. Accordingly, any such proposal will meet stiff banker resistance.

editorial

The Choice Is Yours

What with many of the primary elections over, you may feel that it's too late to get involved in politics this year.

It isn't.

There are still important contributions you can make. (For specifics, see page 22.)

This fall's Congressional elections will decide the course our government will take for the next two years, at least. And two years can be a mighty long time.

The choice is becoming clearer and clearer. Will we have a veto-proof Congress or an inflation-proof Congress?

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Twin-I-Beam handling ease.

Only Ford has it. Two big front coil springs for smoothness combine with two forged front axles for ruggedness. You get good stability in crosswinds, too.



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It's a big time-saver. Raise the mini-hood and your routine service points are right at hand—water, oil, battery, voltage regulator, and lots more.



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